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**MAY, 1955**

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## Business Power: Who Has It, Who Keeps It

**I**NVESTIGATIONS and reappraisals of bigness in business have become the fashion in Washington. Their stated purpose is to guard against the possibility that some group in big business is misusing its power—for example, by trying to close the doors of opportunity to smaller firms.

Possibly rare examples of this will be found. But any inquiry into bigness which goes ahead on the assumption that small and big business are in conflict or inherently separate in interests ignores a significant fact of our economy: They cannot get along without each other.

General Motors, for example, does business with some 21,000 subcontractors, suppliers, vendors, ranging in size from giant corporations in steel, rubber, and chemicals to small shops with five or 10 employees.

When U. S. Steel was putting up its new \$400 million Fairless Works in Bucks County, Pa., it had 200 prime contractors, each of whom, on the average, handed out subcontracts to 10 other firms. Of this total of 2,000, each was calling upon one subcontractor of his own. Hence, in hiring only 200 firms, to start with, U. S. Steel discovered that it had, in effect, engaged the services of 4,000 organizations. Furthermore, a trace-back on the 200 prime contractors and their 2,000 immediate subcontractors disclosed that they were buying materials and equipment from 130,000 other businesses.

This interlocking of business segments, in their immense variety, reach-

es down into every region and community. In Connecticut, for example, the Hamilton Standard manufacturing division of United Aircraft is spending within the state \$20 million a year with 1,200 concerns—55 per cent of them small.

A recent survey shows that a new small plant now going up in the area will have 150 people on its payroll and generate sufficient business activity to support about 1,100 persons. Residents in the community who will earn their living directly from this enterprise will need 300 homes, 320 automobiles, the retail services of 30 grocery, drug, department, liquor, and other stores, along with barber and TV repair shops, and the professional services of 20 doctors, dentists, lawyers, and the like. The purchasing power to be created by the existence of this plant will go to buy, among other things, the produce of 6,000 acres of farmland in the vicinity. Management will be paying out \$50,000 a year to local truckers. Over-all, this venture will establish a \$2.5 million base for state and federal taxes.

But to focus only on the "chain reaction" character of our business structure is to leave out three other considerations equally vital.

In the first place, any business, of whatever size, is a method for organizing resources, human and material, to meet the needs and wants of people for goods and services. To carry out these functions often requires vast aggregates of financial, technical, scientific,

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ic, and engineering capabilities—of a sort that only large-scale undertakings can supply.

In the second place, about \$3 billion a year is spent in the U. S. on research—some 80 per cent of it conducted by big business organizations. To develop nylon, for example, Du Pont paid \$27 million (Orlon cost \$25 million and Dacron even more) in experiments and facilities.

In the third place, the claim that the big are getting bigger and the small are getting smaller doesn't jibe with reality. A more honest statement would have to be divided into four parts: (1) some of the big are getting bigger even though their rate of growth, compared with that of the over-all economy, has not been especially impressive during the past 20 years; (2) others of the big are having their share of the market considerably reduced either by other giants or by

up-and-coming intermediate concerns; (3) some small enterprises are being graduated into the medium-size class; (4) small business establishments are becoming more numerous, as there are 26½ firms to every 1,000 people today as against 15 to every 1,000 in 1900.

Amid this economic flux and mobility, there is always room at the top. A Brookings Institution study shows that of the 100 foremost corporations in 1909, only 36 were able to retain this paramount status in 1948. The other 64 had either declined in relative importance, or vanished.

The evidence suggests that to reach the summit, or to stay there, demands unremitting effort, marked by the ability to risk, to pioneer, to diversify, to anticipate and adapt to changing conditions in order to win the consumer's economic vote—that ultimate test of any business, big or small.

—HERBERT HARRIS. *Nation's Business*, April, 1955, p. 44:4.

### **Current Business Prospects: A Survey**

OF 5,864 BUSINESS MEN members who responded to a questionnaire recently sent out by the U. S. Chamber of Commerce, 60 per cent predicted an increased level of business for their own firms this year, and another 25 per cent expected business to be about the same as last year.

Participants, who included leading executives of all types of business firms in all parts of the nation, were asked: "Many government and business leaders predict increased levels of business in 1955. How does it look for your own business, compared with 1954?"

The tabulation of replies follows:

Up more than 10 per cent, 836 respondents (14 per cent); up 5 per cent to 10 per cent, 1,824 respondents (31 per cent); up, but less than 5 per cent, 858 respondents (15 per cent); about the same as 1954, 1,444 respondents (25 per cent); off less than 5 per cent, 170 respondents (3 per cent); off 5 per cent to 10 per cent, 244 respondents (4 per cent); off more than 10 per cent, 191 respondents (3 per cent); no prediction, 297 respondents (5 per cent).

—*Washington Report* (U. S. Chamber of Commerce) 3/25/55

## New Markets: A Permanent Need

**A**BOUT a year ago the U. S. economy was going through a period which was referred to variously as a "recession" or a "readjustment." Measured quantitatively, it was very mild. On the production side of the economy, it amounted to probably 5 per cent. On the consumption side, it came to practically nothing. But the over-all effect was, nevertheless, one of a backslide due to a variety of reasons.

Chief among these, it seems likely, was the reversal from the accumulation of inventories to a de-accumulation of inventories. In point of fact, most of the fluctuations in our economy are fundamentally due to changes of that character: When business overestimates the market potential, the pendulum swings too far in the direction of production. When inventories begin to pile up, then business becomes a bit concerned and decides to de-accumulate. Thus, the pendulum swings the other way.

It may well be that we shall make the same mistake over and over again—that inventories will again accumulate, and as surely as day follows night, another recessionary cycle will follow. For, unless we learn to correlate supply and demand, production and consumption, there will be periods when inventories increase. And the American economy is not accustomed to an increase in inventory extending over a substantial period of time without creating concern, then liquidation and even dumping. But is the solution merely to correlate production with con-

sumption? Would this give us a "stable economy"? One thing we do know, or should know: that a stable economy is not really a benign or safe economy. To be stable it must be unchanging. We should be very much concerned if the prospect for the next 10 years were that we should have a stable economy. In the first place, our production system increases productivity at a rate of somewhere between 2.5 and 3 per cent per year. At the same time an increasing number of people are coming into the ranks of labor. We add to our work force somewhere between 750,000 and 800,000 persons per year. In a stable economy, then, rising productivity would actually mean fewer jobs, even though we have more people to employ. Thus it is plain that we must have an equivalent expansion in our markets and in our consumption levels.

The demand for growth is so essential that to deny it in our thinking is to invite very serious consequences. But from where is this growth going to come? Of course, one of the obvious sources of growth is in our increasing population. People are not only producers, but they are also consumers. They consume as individuals, and they consume as family units.

We are now experiencing a tremendous birth rate which has been in progress since the early 1940's. There is ahead of us the probability of increases in family formations by the 1960's. And families use automobiles and refrigerators. They buy homes.

They buy the goods that go into homes.

But this increase in consumption cannot come about by spontaneous combustion. It must be stimulated. It is not enough to say, as a great many people do, that if a product is made available, people will buy it. We must learn to sell better and to advertise better. We must convert a basic economic desire—to acquire more and more things—into actual demand for goods.

It is a serious fallacy to assume that the existence of purchasing power guarantees purchasing. This is not always a fact. If savings bank accounts begin to rise rapidly at a time when a high rate of production calls for sustained consumption, people are not ex-

ercising their purchasing power. The problem is to stimulate people to exercise this power.

We must learn to know consumers' motivations to the point where we can anticipate that 84 per cent of the automobiles are going to be in pastel shades—without waiting for them to tell us this is what they want. We must determine all of the things that will increase sales most effectively.

We have got to make selling at least as important as production and procurement. We must place the rewards that way. We have got to do all of the things which the requirements of growth and the American economy demand.

—PAUL MAZUR (Partner, Lehman Brothers, New York).  
*Challenge*, April, 1955, p. 43:4.

## What Communication Means to Top Management

**H**ow vital is effective communication in the operation of a modern business? Is there a relationship between good communication and employee productivity? What are the causes of communicative skills? These and other related questions were recently put to the presidents of America's 100 largest corporations by the Industrial Communication Research staff of Purdue University.

Fifty-one presidents completed and returned the questionnaire, and two other presidents wrote letters outlining their views on the subject. In addition, 20 other officials (vice presidents, directors of industrial relations, etc.) completed and returned the question-

naire on behalf of their respective presidents.

Eleven questions were directed to the company presidents in this survey. Here are the questions, a summary of the responses, and an analysis of these responses:

"Which methods of communication are preferred if 'very important policy' is to be transmitted?" The respondents show a decided preference for the use of oral over written methods in transmitting "very important" policies to managerial personnel. The majority, however, favored a combination of oral and written methods.

"Is there a relationship between communication and employee pro-

ductivity?" Ninety-six per cent of respondents saw a "definite relationship"; and 4 per cent, a "slight relationship."

"Is oral communication more important or less important than written communication?" Of the 47 presidents answering this question, 98 per cent thought oral communication at least as important, and 40 per cent thought it more important, than written communication.

"Is there a relationship between breakdowns in communication and labor disputes?" Ninety-four per cent replied in the affirmative; 79 per cent saw a "definite" relationship, while 14 per cent believed the relationship to be "slight."

"What are the major causes of communication breakdowns?" Ten common causes of breakdowns were submitted for possible checking. Here is how they ranked in the final tabulation of respondents' replies: "Inadequate use of communication media" was checked by 34 respondents; "lack of communicative ability in management personnel," by 32; "inadequate training program," by 23; "management withholds information from subordinates," by 19; "little opportunity for communication 'up'" by 16; "lack of communicative ability in foremen," by 15; "union 'meddling' agitates employees," by 10; "confusion of authority," by 8; "clashing personalities," by 3; and "communicators not well-liked by subordinates," by none.

"What is the nature of communicative ability?" An analysis of the responses to this question, which was accompanied by a list of seven alternatives to be checked, shows that these presidents believe that:

(1) Not all managers can communicate effectively (only 12 out of 51 thought that nearly all top managers possess this ability). (2) While natural talent is a factor in communicative ability, it is not the only factor. (3) Greater communicative ability can be developed through training and experience.

"Should training in methods of communication be provided for management personnel?" Every respondent replied in the affirmative to this question.

"At what levels should communication training be provided for management personnel?" Forty-nine presidents answered this question as follows: top management, 33 (67 per cent); middle management, 44 (90 per cent); first-line supervisors, 45 (92 per cent).

"How much does the authority of a communicator's position affect the reception of his ideas?" All the executives surveyed thought that the authority of the communicator's position had some effect on the reception of a person's ideas. Seventy per cent of the group (37) thought that the authority of the communicator's position very much affected the reception of his ideas.

"How much does the personal regard listeners have for a communicator affect the reception of his ideas?" Nearly 98 per cent of the executives believed that the personal regard the listeners have for the communicator is of some importance. Seventy-three per cent of the group thought that this factor was very important.

"To what extent is the effectiveness of management personnel dependent upon ability in oral communication?" The vast majority of the respondents

indicated that effectiveness of management personnel is greatly dependent upon ability in oral communication. Many executives affirmed their belief

that oral communication is more important than written communication in the performance of certain managerial tasks.

—PAUL E. LULL, FRANK E. FUNK, and DARREL T. PIERSON. *Advanced Management*, March, 1955, p. 17:4.

### **Gauging Your Company's Competitive Strength**

THIRTEEN MEANS BAD LUCK to some people, but James E. Jump & Associates, Marketing Consultants in New York City, maintain that any top executive who can answer the following 13 questions affirmatively will be "lucky" in today's competitive market:

1. Have company sales, as a percentage of industry sales, shown a healthy increase over recent years?
2. Has there been a consistent decrease in sales cost per dollar of sales?
3. Does sales volume for your company fluctuate less violently than for your industry as a whole?
4. Is your advertising and sales budget based on the job to be done rather than on an arbitrary percentage of sales?
5. Do you have diversification both in your products *and* in your markets?
6. Do you have a clear, firm price and discount policy?
7. Are your product design, packaging, and method of distribution up-to-date in terms of competition?
8. Do your sales quotas and territories reflect recent changes in buying power and sales personnel?
9. Does your sales compensation plan encourage salesmen to call on profitable accounts and to sell profitable merchandise in profitable quantities?
10. Has your key sales management personnel had the seasoning of buyers' market experience?
11. Are your salesmen young and aggressive, leavened with seasoned veterans?
12. Do you and your fellow top executives have frequent personal contact with the top executives of large customers and prospects?
13. Do you have an effective system for getting current information on market conditions and competitive moves in time to do something about it?

—Sales Management

ORGANIZED LABOR has set its sights on a 30-hour week, and "by 1980 that should be easily attainable for all Americans," according to AFL President George Meany.



## Automation: A New Dimension to Old Problems

**A**UTOMATION is likely to come less as a tidal wave than as a succession of ground swells that will reach different industries at different times and with quite different impacts. Most affected industries will probably have quite a bit of time in which to think through the labor problems automation will create and to plan whatever adjustments may be necessary.

At this early date, probably no one can predict with confidence the outcome of specific developments or recommend specific solutions to hypothetical problems. What is needed, and what alone seems possible now, is the development of a general awareness of the kinds of changes and problems automation is likely to bring. Here are some general areas that seem likely to be affected by automation:

1. Automation is likely to permit greatly improved working conditions, including greater safety and easier housekeeping.

2. Much thinking about incentive systems, particularly individual forms of piecework, will have to be revised or discarded.

3. As some traditional processes and factory layouts are changed, the job of pinpointing managerial responsibility for the performance of specific manufacturing operations may become easier.

4. Training (or perhaps retraining) problems will probably require more attention than they have since World War II. The training problems are likely to center on the development

of new and complex skills for new grades of maintenance technicians, with shifts in operators' skills being relatively minor.

5. A marked change in the work-content of jobs resulting from automation may find expression in three familiar forms: (a) Wage structures may often require adjustment; (b) the traditional jurisdictions of some unions may be disturbed; for example, by the need to unify mechanical and electrical skills in a new class of maintenance workers; (c) the internal structure of some unions is likely to undergo changes; in particular, it may be important for some unions to give special recognition to new, small groups of highly skilled workers.

6. Managements and unions, accustomed to thinking in terms of narrow and rigid job classifications, may need to broaden somewhat the scope of those classifications. The same thing applies to thinking about seniority units.

7. Finally, there is the employment effect. The anxiety and fear which stem from uncertainty concerning how employment will be affected by automation give rise to the most difficult problems of all.

What will be the impact of automation on the abilities required of the labor force? Generally, automation appears to bring about a change in the job mix, so that the resulting weights tend to emphasize the more highly skilled rather than the less skilled types of occupations. It seems reason-



able to expect that the ratio of managers to employees will increase in view of the increased value of the equipment for which an individual manager would become responsible, and of the increased proportion of the total work process inevitably brought under the supervision of one man. The value and complexity of the equipment similarly indicate a need for a higher proportion of engineers and electronic technicians. The proportion of maintenance people is likely to increase, as well as the skill required of them.

The training—or the educational job implied—will obviously become more important as the speed of innovation increases. We can expect many of the more alert engineering colleges and community vocational schools to revise their curricula to take account of automation. Many company apprenticeship programs may be similarly affected.

Almost as a corollary of this reasoning about the effects on skills of automation, it appears that automation will necessitate broader thinking about job classifications and seniority units. Existing contract clauses and plant customs dealing with seniority may be found unsatisfactory in the light of new needs presented by automation. For example, seniority rules which work satisfactorily in a plant divided into machining, heat-treating, grinding, and assembly departments may not make sense within a new department that combines all these operations in one integrated line; existing rules may also make it difficult to staff a new integrated department

with those individuals both parties agree ought to get the new jobs.

Whether or not automation creates, directly or indirectly, as many jobs as it wipes out, no one can know. Despite the inevitable uncertainty as to the speed and scope of automation's impact, this much at least seems certain: There is bound to be a new influence at work which will strengthen the arguments of people who feel that wage earners ought not to bear the main brunt of technological change.

In developing policies to cushion the impact of automation, as with any major technological change, the toughest situations are not likely to be where some new machines and equipment are installed in a given plant, but where there is competition between new plants designed for automation and older ones that are not.

When automation takes the form of changes within a particular firm, then managements and unions have much greater control over the effects it will have and the ways in which these will be handled. For one outstanding characteristic of automation is that it takes time to install. Even after an exploratory stage has been completed, equipment must be designed and manufactured, men must be hired or trained for new occupations, physical installation and transition problems must be faced. All this takes time—not days or weeks, but many months or years. And with problems like displacement and personal adjustment, time, of course, presents a major opportunity that alert and socially responsible companies and unions can use to good advantage.

—GEORGE B. BALDWIN and GEORGE P. SHULTZ. *Monthly Labor Review*, February, 1955, p. 165:5.

## **Depreciation Policies Under the New Tax Code —A Survey**

ALMOST HALF (45 per cent) of 167 manufacturing companies recently surveyed by the National Industrial Conference Board are changing their depreciation policies to take advantage of the accelerated depreciation methods now permitted under the 1954 tax code. Thirty-five per cent of the cooperating firms have definitely decided against making any change now in their present policy.

Although accelerated depreciation was written into the new tax code to stimulate expansion and modernization of plant and equipment, two-thirds of the 75 companies which have changed their depreciation policy report that the change will have no influence on their capital spending. Factors such as demand for products, advantages of technological improvements, and the availability of cash are expected to remain the dominant considerations.

In general, those companies which feel that accelerated depreciation will stimulate their capital expenditures expect to increase outlays for modernizing their plant and equipment rather than for expanding plant facilities.

Companies which have changed from a straight-line basis to an accelerated basis of computing depreciation allowances report that the new system not only provides for a more rapid recovery of capital funds, but also reduces current taxes and results in a more realistic valuation of assets. Practically all of the companies making changes in their depreciation policy had been computing allowances by the straight-line method, which is the prevailing practice in industry.

The Conference Board survey found that firms making a change are doing so only after careful investigation of the effect of accelerated depreciation on long-term company operation. Reporting companies favor the sum-of-the-years-digits method by a two-to-one margin over alternative methods.

Twenty-five per cent of the companies which are planning to change their depreciation methods foresee some change in their practice of differentiating between depreciation accounting for tax and book purposes. On the one hand, some companies which favor a "conservative" practice for internal purposes will maintain their accounts on a straight-line basis for internal purposes and take the accelerated depreciation solely for tax purposes. On the other hand, some companies which have previously been writing off assets at a faster rate for internal purposes than for tax purposes foresee eventual reconciliation in the two accounts.

### **AMA TOP MANAGEMENT CONFERENCE**

*The Spring General Management Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, May 23-25, at the Hotel Roosevelt, New York.*

## Administering the Company Health and Welfare Program

**T**O GATHER information on how companies administer their health and welfare plans, the Bureau of National Affairs recently asked personnel and industrial relations executives of 166 representative companies to discuss their companies' policies with respect to such matters as steps to reduce malingering, ways to publicize a health and welfare program, and the relative merits of Blue Cross-Blue Shield versus private carrier insurance. Here are some of the major survey findings:

The administration of health and welfare plans is handled entirely by the personnel-industrial relations department in approximately 60 per cent of larger companies (those with over 1,000 employees) and 70 per cent of smaller firms (employing 1,000 or less). In roughly another 30 per cent of larger companies and 20 per cent of smaller ones, this function is shared with another department (such as payroll, treasury, accounting, insurance, finance, and safety). In most of the remaining companies—some 10 per cent of the total—health and welfare plans are handled in each case by a single department, such as insurance, treasury, or legal.

In the average (median) larger company, the amount of clerical work required to administer the health and welfare program amounts to one full-time job per 1,100 or 1,200 employees. In the average (median) smaller firm, one full-time clerical worker is required per 400 or 500 employees. (Over 10 per

cent of personnel executives in smaller companies state that no additional clerical help, beyond their regular work force, had to be engaged to administer their health and welfare program).

In seven-eighths of all companies which have unions, the union plays no part in administering health and welfare plans. In some of the remaining companies, union members serve on the committees which evaluate claims and handle employee complaints; in others, union representatives assist in policing the sick leave plan in order to reduce malingering. Plans which are fully union-sponsored and administered are encountered in a few companies.

Examinations and statements by physicians, and home visits by company nurses and other company representatives, are the measures most frequently used to eliminate malingering (which appears to be a problem in all but 15 per cent of small companies and 5 per cent of larger ones).

Most firms follow the practice of requiring a signed statement from a doctor on all claims. In companies which have a plant physician, the latter generally will conduct a physical exam himself in a doubtful case; at the very least, he will confer with the employee's own doctor. A number of companies request a dated release from the doctor attending an employee, stating the date upon which he is fit to return to work.

Home visits are carried out in a great many companies as a check on legitimate

absence. For the most part, company nurses or personnel department representatives conduct these visits. Waiting periods (for instance, three days) before an absent employee is eligible for sick leave pay are also employed to reduce unwarranted absence. Several companies analyze an employee's previous claims experience each time he submits a new claim for sickness or accident benefits, to determine whether his absences follow a regular pattern.

Asked whether they thought benefit payments in their companies have kept pace with rising hospital and medical costs, roughly two-thirds of all respondents replied in the affirmative. Among those who feel that benefit payments have lagged behind costs, estimates of the extent of this lag range from 5 per cent to 50 per cent, with a 20 per cent lag cited by the majority.

Executives in 45 per cent of larger companies and 55 per cent of smaller ones state that they take no steps to obtain cooperation from hospitals and doctors in keeping benefit payments low. Among the remaining companies, cooperation with hospitals and doctors is sought in a variety of ways. A usual preliminary is to acquaint these parties with the provisions of company plans. When employees are billed by hospitals or doctors, many companies make it a practice to review the charges, protesting those deemed excessive.

Personnel executives in smaller companies favor hospitalization-surgical coverage provided by an insurance company by a two-to-one margin over Blue Cross-Blue Shield coverage; in larger companies, the ratio is 2½ to one. The advantage of an insurance company cited most often is lower cost. Coverage through an insurance carrier also gives

a company better control of its costs, personnel executives report. A company generally plays a larger administrative role when its hospitalization-surgical coverage is handled through an insurance carrier, they believe.

Another advantage cited for carrier coverage is that uniform treatment can be accorded all employees in various plants of a multi-plant company, whereas under Blue Cross-Blue Shield plans the benefits might vary in different geographical locations. Broader benefits and a wider variety of coverage were also mentioned, as was the fact that a company negotiates its contract with a carrier, hence is able to tailor its insurance to fit its exact needs.

A number of advantages claimed for Blue Cross-Blue Shield are uncontested by the advocates of carrier coverage. These advantages include the widespread acceptance of Blue Cross-Blue Shield plans, speed in handling claims, minimum clerical burden on employer and employee, and assumption by Blue Cross-Blue Shield of all payments direct to hospitals and doctors. Proponents of Blue Cross-Blue Shield also maintain that Blue Cross-Blue Shield plans are either less expensive than carrier plans, or offer more complete coverage for the same price.

In the majority of companies represented in the survey, some employees maintain at their own expense additional coverage under health and welfare plans other than those provided by their employer. Such "double coverage" does not appear to create problems in eight out of every nine companies where the situation exists.

Many of the techniques regularly used in communicating with employees are utilized in publicizing a company's

health and welfare plans. The house organ is the medium most widely used for this purpose. Another method frequently applied, particularly by larger companies, is the distribution of special booklets describing these plans to employees. Other media include labor-management meetings, letters to employees' homes, bulletin boards, the company handbook, clock notices, movies, and word of mouth.

The best way to make employees appreciative of benefits, a number of per-

—Administration of Health and Welfare Plans: Personnel Policies Forum Survey No. 25  
(Bureau of National Affairs, Inc.)

sonnel executives declare, is to assist them in drawing up claims and to handle such claims speedily and fairly. Several firms follow the practice of distributing benefit checks personally, at the same time pointing out the extent of the company's contribution to benefits.

As a final question, survey participants were asked which health and welfare benefit is appreciated most by employees. The replies indicate that hospitalization and surgical insurance are easily the most popular, with hospitalization insurance somewhat preferred.

## Running an "Idea Cafeteria": How GM Does It

**A** FEW YEARS AGO, only a handful of companies were using reading racks. Today more than 500 companies—many in the blue-chip division—have tried them out, liked the results, and kept them going. They include Aluminum Company of America, Armstrong Cork, A. T. & T., Western Electric, Pittsburgh Plate Glass, Swift & Co., U. S. Steel, U. S. Rubber, Socony-Vacuum, and many others. But it was General Motors that started the whole thing.

GM's information racks are kept filled with booklets on a wide variety of subjects of interest to employees. More than 1,600 specially designed racks supply literature to employees in all GM plants and offices. During the first 56 months of operation, more than 63 million copies of 350 different booklets were distributed. GM likes to refer to its information racks as an "idea cafeteria" where GM men and women help themselves.

Supplies of two new booklets are placed in the racks on the first day of each period of seven working days. Racks are usually refilled as fast as they are emptied. The number of copies of each booklet distributed averages 250,000, so that current distribution is at the rate of 1,500,000 copies a month.

Reading material is carefully chosen, and in selecting it, GM is careful not to offer anything that might jeopardize the program through destroying employee confidence. Most GM employees look upon the racks as a reliable source of fair and undistorted information; the material at no point could be construed as anti-labor. There's no political controversy found in it, either. Subjects fall into six general categories: (1) information about the company itself, including the stockholders' report; (2) home and family material; (3) inspirational literature; (4) health and safety; (5) technical and mechanical



information, and (6) economic and social material. The social and economic material outpulls all other divisions, and GM reports that about 35 per cent of the total distribution falls in this classification.

When the project was first launched, its sponsors laid down two cardinal rules, and time has weakened neither. Companies considering embarking on an information rack program should frame them and put them on the wall.

The first was that the employee must be free to take the material or leave it alone, without any pressure being exerted upon him. This voluntary feature GM considers all-important.

The second cardinal rule is that the racks must not be used for anything other than the material provided from the central office. It is obviously important that the company control rigidly what goes into the racks.

—ROBERT NEWCOMB and MARG SAMMONS, *Industrial Marketing*, Vol. 39, No. 3, p. 86:2.

Has GM found the information rack service to be an effective and versatile channel of communication? The answer is a definite "Yes." And, since it should be possible to assay any communications device against measurable objectives, it is GM's view that its reading rack program is helping to: (1) create better understanding of General Motors and its people, plants and products, (2) create better understanding of the American system of private, competitive enterprise, (3) build good will by offering interesting and educational material of real value to employees and their families, (4) help reduce absenteeism and increase personal efficiency through health and hygiene education, (5) build and maintain a favorable attitude toward General Motors—a feeling of pride in the job and confidence in the management, and (6) develop in employees the habit of looking to the company for reliable information.

### **Consumers' Buying Plans—A Survey**

PRELIMINARY RESULTS of the Federal Reserve Board's 1955 survey of consumer finances indicate that consumers are more optimistic than a year ago about their own income prospects and the general business outlook. Consumer plans to buy automobiles within the year are not greatly different from those in early 1954. Plans to buy furniture and appliances and to make home improvements this year are reported by somewhat larger proportions of consumers than a year ago. Consumer plans to buy new and existing houses are reported more frequently than a year ago and slightly more frequently than in early 1953.

Consumers are more optimistic concerning their prospective incomes than they were in early 1954, when industrial activity was close to its recession low. The percentage of spending units expecting increases in income is much larger than it was a year ago or two years ago, and the percentage expecting decreases is much smaller. These favorable income expectations appear to be shared by all income and occupational groups. Consumer expectations regarding general business prospects also are much more favorable than they were at this time last year. Three-fifths of the consumers expect good times during the year as compared with two-fifths in early 1954.

—*Federal Reserve Bulletin* 3/55



## Can We Afford a Guaranteed Wage?

**A** GUARANTEED annual wage becomes a problem only when people are unable or unwilling to buy enough products to keep at work all of those who are making the products. When there is full employment, workers get wages 52 weeks in the year.

A guaranteed annual wage is money paid by an employer to people for all or some part of a year in which they are not making products. The payments are part of the manufacturer's cost and hence part of the consumer's cost. If the manufacturer has 10 employees but work for only eight, he must nevertheless recover in the price he gets for his product the payments he makes to his employees for hours they did not work, or he must go out of business. This is true of any employer, whether he has 10 or 10,000 employees.

Often industrial management says smugly, "The customer is king—how can we level off production when the buying habits of customers are uneven?" Phrases like "seasonal fluctuations" and "inflexible demand" are given a sanctity into which no one may inquire. But if they all stopped to think about it—and they do at times—the corporation president, the sales manager, the production manager, and the customer would be a little ashamed of their assumption that labor must always be waiting in the wings ready to rush onto the scene whenever demand takes a seat and claps its hands.

The worker asks, "Shall I buy a house, a car, an encyclopedia, a season

ticket for the symphony, or plan a vacation trip?" Asks whom? The production manager will tell him to ask the sales manager and the sales manager will tell him to ask the customer. But the worker wonders whether a system which he fundamentally respects has to be quite so casual about his quest for more security.

It comes down to this: Steadier industrial work on an annual basis might be provided for a substantial percentage of our people if, under the guidance of top management, production engineers and salesmen would cooperate to convert customers to the habit of more level buying, and if unions and workers would agree with management to convert work-and-pay rules from an hourly to an annual basis.

On the management side, the public relations, advertising, and sales skills which convert women buyers from high to low to no waists, men from razors to safety razors to electric razors, could be employed. On the labor side also some imagination is needed. Labor cannot have the best of two possible worlds: on the one hand high hourly rates, tight seniority rules, and the like, and on the other hand a guarantee of 52 pay checks a year. If capital is to employ labor for a full year, then the rules must assure a full year of production.

When machines make things evenly and uniformly, the volume is greater, the cost is lower, and therefore the price can be lower. When people are working the machines uniformly and

evenly, fewer people are required. Here is the heart of the problem. How many people are really required to work the machines? When that number is ascertained, plant by plant, when there is a balance between machine capacity and essential manpower and a balance between rate of production and rate of consumption, then a question like guaranteed annual wage sinks into relative unimportance. The steady, uninterrupted work of the machine means equally steady and uninterrupted work and pay for that number of people who are needed.

Does this beg the question? Is it not true that these propositions mean more unemployment? Do they not merely offer annual work to some people and deprive others altogether of work opportunities at the machines? Perhaps so, but we have identified the problem and have established that it will not yield to patent-medicine treatment.

It is quite possible that a people committed, as we are, to the proposition that no sparrow shall fall, must make payments which supplement the fruits

—LELAND HAZARD (General Counsel and Vice President, Pittsburgh Plate Glass Co.).  
*The Atlantic Monthly*, March, 1935, p. 52:5.

of enterprise. The question is, payments to whom, for what purposes?

A forest ranger skilled in the prevention of devastating fires, a national park guide devoted to the lore of open spaces, a bass viol player in a municipally supported symphony, a highway patrolman commissioned to curb the involuntary suicides of speed demons—such a man, regularly employed, is likely to be a more buoyant citizen, a better spender for the products of the machine, than an idled machine worker on industrial relief.

It is better for government to stimulate employment in vital activities for the spirit of men than to subsidize the periodic idleness of materialism. Admittedly such payments by government would not produce material goods. But as things are going now we shall be able to offer only some slick models of gadgets, designed for creature comfort and petty pride, produced at costs too high, selling for too much to too few, because we could think of nothing better for industry or government to do than to pay money to idle people not to produce them.

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A SURVEY of postwar job investment, restricted to industrial and public utility companies which have constructed new facilities since 1945, shows an average (median) investment per job of \$12,605, according to a preliminary analysis recently announced by the U. S. Chamber of Commerce. Individual figures from the companies in the study ranged from a low of \$3,000 to \$163,000. Cost factors included in the study and their percentage of the total amount were: machinery and equipment, 25.5 per cent; building, 25 per cent; inventory, 23.4 per cent; working capital, 22.8 per cent; financing costs, 1.8 per cent; land, 1.3 per cent; miscellaneous, 0.2 per cent. Many companies tell their employees the story on how much it takes to make a job for each employee.

—*Newsletter* (The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Illinois)

## What Do Your Employees Want to Know?

THE USE OF COLOR, glossy paper, and attention-getting devices in employee publications may well be wasted effort if management doesn't know whether employees really care anything about the information given them.

To explore this question, a list of nine types of information was presented recently to 201 employees in two firms in the Minneapolis-St. Paul area. The employees were asked to rank the top three subjects in which they were most interested, and the bottom three in which they were least interested. Also, management people were asked how they thought their employees' preferences would rank. Among the findings:

1. The most desired information concerned company products. All groups ranked this either first, second, or third.

2. The least liked type of information concerned management people. These workers did not want to know about their "bosses."

3. Other topics that didn't interest the employees were American business in general and company history. Surprisingly, the subject of company employees was also rated low. This is interesting, in view of the widely held belief that employees want "folksy" stories about fellow employees.

4. On the other hand, employees did want information about company services, company finances, computing of wages, and work rules.

Management people generally predicted accurately what type of information their employees wanted. Likewise, office, shop, and supervisory employees showed high agreement in their choices. But this raises the question: If executives know what employees desire, why don't they communicate this information more effectively?

—WAYNE B. KIRCHNER and JERRY BELENKER in *Personnel Journal* 3/55

## "Plenty of Time to Think"

IT IS WELL for the top executive to have leisure, but much of the progress of his company will result, not from his being so free from detail that he has "plenty of time to think" but more often as a by-product of his very busy day's work.

The impetus will come from the sparks his mind receives from his contacts with people, inside and outside of the business, from his impatience and his dissatisfactions, from flashes of insight which come to him as he struggles with the problems of the business, or when he suddenly sees the business with fresh eyes in relation to its customers, or to the public.

In short, the idea that the chief executive should be completely free to just sit and think and plan for the growth of the business overlooks the fact that he needs to be in the middle of things in order to develop the "intuitive feel" on which sound plans and decisions are so often made.

His real problem is to organize his administration so that his ideas and impulses for the growth and progress of the business will be translated into action.

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 66

## Helping Your Dealers Build Sales

**T**ODAY DEALERS and distributors need help more than ever before. Many have never been through a period of unevenness such as we are now experiencing. Many have never had to fight for a sale. Some are figuratively standing there asking, "What should we do next?" Unless manufacturers give their dealers the help and advice they need, they may find their distribution systems withering away.

Many kinds of assistance can be given dealers—help in advertising, closing sales, financial planning, reducing costs, and strengthening leadership. Described below are several steps a manufacturer can take to help dealers through whatever vicissitudes lie ahead.

### 1. Pricing.

Reexamine prices to make sure each item carries a profit margin commensurate with the turnover. The fact that the line generally carries a satisfactory margin may not be enough; if slower-moving items do not carry larger margins, they may be neglected by dealers.

Consider turnover incentives—for example, an additional discount on reorders made within certain times—to make it pay dealers to push your products more vigorously.

Weigh the value of fair-trading trade-marked products. However, in most situations a campaign to enforce fair-traded prices is as important as the price-fixing itself.

Weigh the value of a price-maintenance campaign without fair trade, by

choosing advertising themes that will enhance the value of the product relative to the price, and by dropping dealers and distributors who cut prices.

### 2. Helping Dealers to Sell.

Reexamine packaging to make sure that it arrests attention, invites purchase, and, with convincing information, presells the product.

Provide dealers with guidance on mail-order selling. Dealers in many lines can develop mail sales among people not regularly visitors to their places of business.

Increase the informative material—folders, booklets, etc.—flowing out to dealers' salespeople.

Offer dealers help on selling their entire stocks; a manufacturer stands to gain more from a dealer making money selling his entire stock than from a dealer pushing the manufacturer's line without much success.

### 3. Stimulating Dealers to Greater Efforts.

Consider contests for window displays, original advertising, and other points of superiority not tied to direct sales.

Consider setting up contests that dealers can stage in their own names and to their own sales profits.

Investigate the possibilities of supplying dealers with self-liquidating premiums that will help them make store-wide sales, as well as sales of your line. If you have a sluggish, high-margin product, consider supply-

ing it to dealers to use as a premium on other sales.

#### 4. Dealer Relations.

Evaluate the potentials of a regular bulletin to dealers describing the methods by which other dealers are increasing sales and improving profits.

Weigh the possibility of holding dealer clinics, whereby dealers are given a refresher course on the best selling methods. A possible substitute for clinics might be a question-and-answer service.

Offer dealers guidance on their public relations—in the broad sense, which includes shop housekeeping, store hours, free services, participation in community affairs, and personal appearance of employees and owners.

Study shipping costs to see how they can be reduced. And give dealers all information available on how they can keep their own shipping costs down.

Avoid overloading dealers. Inducing a dealer to buy too much may impoverish him.

Take dealers into your confidence. Let them understand your problems in pricing, in maintaining production, and in struggling with the economy.

#### 5. Your Dealers' Advertising.

Determine to give your dealers bet-

ter guidance in their advertising. Salesmen, dealers' bulletins, house organs, letters, and the trade press are the most common methods of communicating with dealers.

Reexamine the point-of-sale materials furnished dealers in light of present conditions. Do the posters, banners, decals, and counter displays attract and sell?

Review dealers' use of direct-mail material; while some get maximum use out of such materials, others tend to be lax, especially when sales drop off—the very time use should be increased.

#### 6. Your Own Advertising.

Consider an advertising campaign to enhance the prestige of your dealers. This might be a series of advertisements stressing the community services the dealers render, a series of tributes to outstanding dealers, etc.

Act to keep dealers informed about your advertising campaigns—and in time to permit them to stock up to take fullest advantage.

Consider the use of discount coupons in advertisements. A little square of paper, torn out of an advertisement and taken into a dealer's store may entitle a prospect to a 10 per cent discount.

—C-K Newsletter (The Cramer-Krasselt Co., Milwaukee, Wis.).

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**BUSINESS TAXES ABROAD:** Digests of corporation and individual tax laws and employee benefit legislation in effect in 40 foreign countries are currently being prepared by the Foreign Tax Group of the Controllers Institute. Digests of French and Canadian laws have already been released; others in the series will be available in coming months. A limited number of copies of the digests, which average 30 pages in length, will be obtainable from Mr. Norman Lothian, Controllers Institute, 1 East 42 Street, New York 17, N. Y.



## New Approaches to Clerical Cost Reduction

**E**VERY business requires a network of clerical processes, both simple and complex. Though they are the means by which the company's activities are initiated, carried out, controlled, and finally completed, these activities are seldom attended to at the proper managerial level. A management which would normally carry out detailed analyses and studies before investing in capital equipment will often leave the entire area of clerical activities to be conceived and developed by untrained personnel, despite the fact that these clerical activities often involve annual expenditures far in excess of the company's annual capital costs.

Today's high clerical wage costs demand that every movement and every action involved in any part of the network of clerical activities be appraised in terms only of essential need.

In the past, it was customary to examine separately the various little segments of the clerical process and consider how each could be improved. Today, however, replanning and reconsideration of the entire process is needed, for pre-integration of all the necessary functions and procedures is a basic condition of efficient business activity today. The potentialities of this approach can be seen from the fact that by far the greater part of the clerical process in most companies arises from two prime sources: the purchase order, which creates an entire cycle of paperwork and procedures and ends in payment of vendor's invoice; and the sales orders received,

which end in receipt of payment from the customer.

Although many companies may not yet find it economical to adopt electronic methods of clerical cost reduction or purchase elaborate automatic equipment, the principles underlying the "office automation" approach can and should be adopted even by companies with small clerical forces.

The first principle of office automation—to make use of a "common language"—can be applied to any office activity through the proper development of the original forms so that they function simply whether processed by manual methods or typewriter, bookkeeping machines or any other mechanical devices. Too frequently, for example, order estimates do not follow the same sequence as the sales order or invoice, resulting in loss of clerical time in recopying the required data from one form to another.

The next principle that can easily be adopted is the "multiple use of information"—that is, making an activity create data and information for a multiplicity of functions which are connected with the prime activity. This, of course, may be done by creating multiple copies or by using a "master" which is capable of reproducing additional copies. Frequently, companies have objected to the use of multiple copy preparation because of varying conditions—e.g., a specific order may require back orders, split shipments, special handling, etc. But



this is actually the greatest advantage of the "multiple use" principle—it eliminates the necessity for continual repeating and recopying of the same basic data initially accumulated.

A third applicable principle, the "multiple transmission of information," permits the entire process of clerical activity to be speeded up and reduces costly delays through the simultaneous release of the required number of copies to all individuals affected, who may then take action simultaneously.

The speed with which information

must be accumulated and transmitted in today's business operations requires that these clerical processes be conceived, developed, and directed at the proper level in the organizational hierarchy. Imprudently developed and permitted to grow indiscriminately, these activities will produce waste, confusion, and delay. Successful integration of the whole clerical process into the organization will have a real effect on operating costs, speed of production, quality of service, and over-all company effectiveness.

—KENNETH J. EATON (Associated Business Consultants, Chicago).  
*Paper, Film and Foil Converter, March, 1955.*

## **The Policy Manual: Keystone of Today's Purchasing**

**A**S BUSINESS becomes more intensely competitive, ever more efficient methods are demanded of purchasing, and new responsibilities are added. A definite statement of operating policies for purchasing, approved by top management, and clearly understood and adhered to by all concerned, can be a vital influence in the efficient administration of a purchasing department.

To be most effective, a manual of purchasing policies should be carefully divided into appropriate sections. These should include a foreword by the chief executive officer of the company, indicating that the manual is an official statement of company policy; a comprehensive, detailed index; general principles for the guidance of purchasing and other company personnel

in regard to the actual purchasing operation; and statements setting forth the relations of purchasing with other departments of the company—material control, manufacturing, engineering, accounting, sales, legal department, etc.—and with vendors, company employees, and the community in which the company is located.

The steps involved in compiling a purchasing policy manual can be summarized, in general, as follows:

First, the approval of top management must be gained for the project itself. To obtain this approval "in principle," the purchasing officer should be prepared with the following information: a comprehensive statement of the advantages as visualized by the purchasing officer, perhaps corroborated by the experience of purchasing officers

in other concerns who are using policy manuals; a statement of past occurrences detrimental to effective operation, which the existence of such a manual might have prevented; an outline of the method of preparation (i.e., how and by whom the manual is to be compiled); an estimate of the cost of preparing and producing the manual might have prevented; an out-manual will be distributed.

Second, a suitable individual should be chosen and assigned to select and arrange the contents. Since the manual must realistically reflect actual policies, it is vital that this person be someone with a broad yet intimate knowledge of the philosophies of the company and its management, those of the purchasing department, and the operational needs of the company as a whole. It may be possible to recall someone recently retired, who is fully qualified and has had long service in the department, to give undivided attention to the development of the manual.

The person selected should collect a number of purchasing manuals from others to supplement his own ideas. Existing office memos on policy matters should also be consulted. (An invaluable further reference is *Suggestions for Development, Recording, and Use of Purchasing Policies and Procedures*, published in 1951 by the National Association of Purchasing Agents.)

—JULIAN G. DAVIS. *Purchasing*, April, 1955, p. 113:3.

The result of this preliminary work is a rough draft. The head of the purchasing department should go over it carefully, item by item, with the person who prepared it, making any additions or deletions desirable, and putting it in shape for submission to top management.

The next step is of the utmost importance. An appointment should be made with the company's chief executive at which the purchasing officer should be present to explain, and perhaps defend, certain provisions to which exception may be taken—and which, in his absence, might cause the entire project to be condemned.

After top management's approval has been obtained, similar steps should be taken to gain the cooperation of each of the department heads directly or indirectly concerned.

When all of the points of issue have been resolved and appropriate revisions made, the final approval should be explicitly stated in a foreword signed by the chief executive.

The decision as to who should receive copies of the manual should be carefully weighed. Each of the key people in purchasing ought to have one, with copies readily accessible to other members of the staff. Also, the head of any other department affected (as most of them will be) should have a copy. In many instances distribution to sales executives of major suppliers has also been a part of the plan.

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A RECENT STUDY by the New York Stock Exchange showed that housewives comprise about 33 per cent of all shareholders; however, they rank tenth in the total number of shares held.

## U. S. Economic Strength—A New Survey

AMERICA NOW HAS the most productive economic system in human history, easily capable of attaining by 1960 a total national output of \$414 billion and making possible an average family income of more than \$6,000 a year, with prospects of still greater growth in the years ahead, according to a new economic study just published by the Twentieth Century Fund. Moreover, productivity in the U. S., measured in terms of output per man-hour, is increasing so rapidly that, if present rates continue, in another century we shall be producing as much in one 7-hour day as we now produce in a 40-hour week.

During the past century, the study points out, our rate of output has risen so fast that the average American worker today produces nearly six times as much in an hour of work as did his great-grandfather in 1850. Measured in today's purchasing power, an average hour's work in 1850 yielded 38 cents' work of goods and services, while an average hour's work in 1960 will produce an estimated \$2.68 in goods and services. And while productivity has steadily gone up working hours have steadily gone down, from an average of about 70 hours a week in 1850 to the 40-hour week of today.

At the present rate of growth, the study predicts, the U. S. will have a population of 177 million in 1960. A total of 69 million should be at work or in the armed services, and unemployment (principally shifts between jobs) should not average more than 3.5 million.

If unemployment should go no higher than it is today, with working hours about the same and productivity rising 35 per cent in the 1950's (it rose 47 per cent during the 1940's), a total national output as high as \$490 billion by 1960 would be possible.

With little more than 6 per cent of the world's population and less than 7 per cent of its land area, the U. S. now produces and consumes well over one-third of the world's goods and services, and turns out nearly one-half of the world's factory-produced goods. The aggregate real income of all Americans today probably exceeds the combined income of the 600 million people living in Europe and Russia.

\* *America's Needs and Resources: A New Survey.* By J. Frederic Dewhurst et al. The Twentieth Century Fund, 330 West 42 Street, New York 36, N. Y. 1955. 1,148 pages. \$10.00.

## Tax Tactics in the "Worker's State"

WITH TAX TIME AT HAND, the Research Institute of America took a look at the plight of the taxpayer behind the Iron Curtain—and came up with some surprising facts. For example: A Soviet bachelor making \$22,000 a year would pay only about \$3,000 tax—as against \$8,000 plus in the U. S. Their ceiling is 13 per cent; ours, 87 per cent. Moreover, there's no inheritance tax in Russia; the ruling class likes to bequeath its wealth intact.

In the early days of Stalin, RIA observes, the Russian tax structure was much more like ours now—hitting the rich hard, easing off on the poor. But Stalin changed all that. Now Soviet citizens must pay enormous sales taxes, devised to soak the poor and go lightly on the well-paid bosses of the Soviet bureaucracy. Comments RIA: "A revealing measure of the gap between Red propaganda of 'a better world for common men' and the viciousness of Soviet realities!"

## **The Package and Its Target**

**C**AREFUL attention to package details has played an important part in helping today's best sellers attain and preserve their customer acceptance. The packaging histories of this country's best-liked products have all served to point up the fact that the buying public is highly discriminatory where packaging is concerned. The packaged product that is not subject to a continuing program aimed at packing improvement is in effect inviting competition to catch up with or outdistance it.

An entire field of study, for example, greets the packager when it comes to the question of size. Here is a packaging factor that can critically influence the success of the merchandise. The key to it lies in a question: "How much of the product can the consumer use most economically and conveniently?"

For example, a manufacturer considering the introduction of a "large economy size" tube of toothpaste determined that a 2.6-oz. quantity would provide toothpaste for 70 brushings and would thus last a month for one person, two weeks for a family of two, and one week for a family of four. Although there had been some hesitation in introducing the larger size, it was reasoned that smaller tubes might not be meeting the convenient replacement needs of many families. Therefore, the larger tube was introduced and proved an immediate success. The result was well based, first, on a buyer need that had not been previously ex-

ploited and, second, on the very substantial economy made possible by the larger unit, which was passed on to the customer.

A similar approach to the problem of unit size has been successfully handled by the development of the multiple and the fractional package. Both mean fewer shopping trips and so have found favor with buyers. At the opposite end of the scale are the smaller unit-of-use packages which also have enjoyed increasing success because they answer a different kind of buyer need.

Another important consideration is the question of maneuverability. The packaging organization that is set up to coordinate both the policy function, which is slower, and the operating function, which must often be swift, is the group best designed to keep moving. Most packaging operations do not as a rule require enormous production to be achieved overnight, but the factor of flexibility remains important because of the opportunities that seasonal promotions, "deals," premiums, sampling and similar approaches or devices offer in today's competition. Judging from the many examples now current, the special promotion employing unusual packaging feature will be the spearhead of more and more merchandising programs.

The evaluation of a package's merchandising potentials naturally becomes more vital in the eyes of management

with every increase in responsibility that may be placed on the package. In this connection, consumer panels have proved their value. A new hand lotion went to the top of the sales ladder after a jury of women had been asked to select a container design from a group of designs submitted to them. Another company makes a regular practice of bringing the consumer in on all final packaging decisions that concern the user. Incidentally, the latter manufacturer found that his well-established, familiar package was a merchandising asset which out-distanced all other design factors in selling the product.

This is but another way of saying that the package can't be expected to do the merchandising job all by itself. A large advertising agency conducting package popularity tests has found that sales leadership is not always to be correlated with the package a consumer panel finds most pleasing. Package superiority must therefore be looked upon as only one of several key factors that determine the commanding sales position of any product.

Many companies like to pre-test their package designs in actual sales environments. There are many reasons recommending this practice. Comparisons with competition can be made, and package visibility level and performance under different kinds of

lighting can be studied. A similar approach has been made by market researchers who have set up concealed cameras to take motion pictures of shoppers' behavior. Study of these films has permitted evaluation of what may be right or wrong with a package. Thus, if a package label is confusing to the point where it slows up sales, the symptom can be detected and the cause can be diagnosed. Trained observers and interviewers, of course, can conduct similar evaluations.

No less important than consumer acceptance of the package is the reception given it by distributor and retailer. The effectively labeled shipping container that is easy to store, open and handle for stock is an excellent ambassador of good will. The "awkward" package, on the other hand, can actively discourage acceptance.

The dealer, of course, is an excellent source of information in regard to the performance of the consumer package. Not only is he increasingly aware of the package's status as a sales instrument but he is also in frequent personal contact with distributors and salesmen. If the retailer's point of view regarding the merits of the package is regularly sought, and if this information is considered in the planning or overhaul of a container, the result is sure to be a better-selling package.

—*Modern Packaging Encyclopedia*, 1955, p. 21:4.

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**PUBLIC RELATIONS IN REVERSE:** A company manufacturing consumer goods recently had occasion to use a special machine to scrub the tile in front of their office building. So many passersby had questions about the machine that the management assigned the cleaning job to an operator who knew no English.

—*Personnel Newsnotes* (Owens-Illinois Glass Co., Toledo, Ohio)



## Planning for Automation: One Company's Experience

**A**T FORD Motor Company an automation program begins early in the planning for new facilities. As the preliminary plant layouts are being developed, the automation designer must be available so that arrangements can be made for the installation of the simplest possible transfer mechanisms.

At this early stage, quick calculations and simple sketches must be made to determine in a preliminary way the extent of automation which is justified by economic and related factors. The part to be produced must be carefully studied for adaptability to automation. Preliminary manpower estimates for the operations being studied must be considered. Once a plant layout has been prepared, the automation engineer can start his detailed study of the program.

An over-all preliminary automation layout is then made; in some cases, models and perspective drawings are prepared. When the extent of the proposed automation equipment and its estimated cost has been determined, it is then necessary to have manpower estimates made by our industrial engineers both with and without automation. Compilation of this data and the cost of the automation in summary form are prepared for approval.

When the program has been approved, the real job of co-ordinating begins. Plant layouts are finalized, the processing department is notified so that the operation sheets can include

the effects of the automation equipment, the tool and die design department is consulted so that proper clearances can be left in dies and tools for introduction of automation devices, and the machinery and equipment builders must be consulted so that work heights are standardized and they are familiar with the intent of the program.

When all of these steps have been taken and a final automation layout has been prepared and approved, we then have the problem of writing specifications for procuring the equipment. In our experience, the most desirable way of procuring the equipment is to secure a contractor who will design, fabricate, deliver, install and test the equipment.

In automation equipment, much has been done to develop standard sections which can be utilized in various locations and interchanged, if necessary. Quite recently a considerable amount of work has been done in developing standard drive units for automation devices which can be replaced readily with a minimum of time lost.

In departments which use automation, production processes have become much more complicated as a result of efforts to eliminate that part of the labor which was largely devoted to manual handling of parts. In consequence, our production processes have very often become a series of departments producing different parts, each



of which is, in effect, one large transfer machine.

The management of a plant with extensive automation has to some extent become more complicated. While we still have the same old problem of dealing with human nature, it has been found necessary to have a considerable number of individual engineering groups, each specializing in a certain phase of our production processes. Modern plant management is faced with the problem of coordinating these individual engineering groups with all the other departments necessary to control production. Top management of plants must be able to promote teamwork in the entire organization in order that all phases of production planning are coordinated. Plant managers must keep themselves flexible to make the best of the various technical skills available for planning purposes.

Use of automation has progressed

—DEL S. HARDER (Vice President, Manufacturing, Ford Motor Co.).  
*Automation*, Vol. 1, No. 1, p. 46:9.

to the extent that it is now thoroughly recognized that in building a new modern plant it should contain automation. A few years ago, automation in a plant was a novelty. We are fast approaching the point where a new plant which does not have automation will be looked upon as backward in its manufacturing processes. We are referring here, of course, to plants which are adaptable to automation based on product design, volume requirements, facilities requirements, and all of the related economic factors.

Our concept of automation has expanded from a simple definition involving automatic handling between operations to a concept which has engulfed planning for all of our manufacturing processes. This change has taken place in a few short years, and it is apparent that similar changes will continue to occur as new products and changes in old ones necessitate expansion or rearrangement of existing facilities.

## Company Mergers: What's Behind the Headlines

**I**T SEEMS to be good merger weather. There have probably been more corporate weddings, engagements, and rumored romances in the news lately than at any time since the late 1920's. Amid all this, many an executive is likely to wonder whether his company ought to merge with somebody, too.

If he thinks about it seriously, sooner or later he will find himself asking questions in three main categories:

Why do companies merge? What would my company stand to gain?

On what pattern should the merger be drawn up? Should my company try to get together with one in our own field of business, or with one in an entirely different field?

How does a corporation merger work, mechanically? How do we find the right company, get together with it, decide who should pay whom for what?

The first two of these groups of questions can be answered by looking around at the panorama of 1954 mer-

gers. A company might have any of several reasons for seeking a merger.

It might want to reach out beyond its own operation. For instance, a paper manufacturer might reach backward and acquire a lumber mill, or forward and acquire a paper products company or perhaps both. This would put the company in a position to save money all along the line. This type of merger is sometimes called "vertical."

A company might want to join forces with another that makes the same product, and perhaps sells it in the same territory. The idea behind this is to improve competitive position, make savings in purchase of materials, and get the advantages of a bigger sales network. This kind of merger is often called "horizontal." Examples are recent mergers in the auto industry—Studebaker and Packard, Nash and Hudson.

Diversification may be the goal of a merger, especially during times of fierce competition. Take the case of Westinghouse Air Brake Co. To back up its railroad equipment business—which is prone to heavy fluctuation—the company acquired Melpar, Inc., an electronics and research company; Le Roi Co., maker of industrial compressors, engines, and construction and mining equipment; and Le Tourneau Co., manufacturer of earth-moving equipment.

Another reason behind a merger may be a desire for high-grade management. There's one case on record in which a company merged, at a cost of some \$1 million, mainly to get the services of the other company's president and its chief executive officer.

It's not always true, of course, that a company has a single, clear-cut reason for joining forces with another. Generally,

a combination of motives dictates the move.

How have all these mergers been brought about?

Strangely enough, some of the biggest mergers have started with a casual remark. An executive is chatting with his banker, or his lawyer, or with a remote business acquaintance. He lets fall the observation that a good way for his company to boost its sales or solve its supply problem might be to buy another outfit.

This seed, planted unwittingly, may take root and eventually grow into a full-fledged rumor. The word runs through the trade: XYZ Co. is looking for another to buy. And sooner or later, XYZ Co. hears from one or more companies that would love to be bought. XYZ may not actually have been considering a merger before, but now that the opportunity has been delivered neatly packaged to its door, it may decide to act.

However, not all mergers are accomplished by the hint-and-wait method. Sometimes a company with a definite desire to make a merger will go about finding a partner systematically. It may get in touch with a big investment banking house, go to a brokerage firm, or put the job in the hands of a private company that specializes in negotiating mergers. The intermediary—bank, broker, or merger specialist—plays an important part in the affair. Having brought the merger partners together, the intermediary often takes on the job of determining what the two companies involved are worth.

The task involves evaluating (1) the present and projected earnings of the principals in the merger, (2) their fixed assets, and (3) their managements. "Very often," says one merger expert, "considerations of earnings and facilities are secondary to management."

Next, the intermediary faces what can be the hardest job of all—getting the two companies to agree on terms. "If both parties really want the merger, terms agreeable to both can usually be arrived at," says one man in the field.

Some observers wonder if we are moving toward an era in which big companies, having absorbed the little ones, will be doing all the business. The merger experts hasten to dispel

this idea, considering it groundless.

One merger consultant, who took a business census of his own in 1947, found that there were then 8,000 U. S. companies with a net worth of \$500,000 or more. Last year the number had swelled to 14,000. This proved to him that "new, successful enterprises are being formed and growing up faster than established companies are uniting with each other."

—Business Week, No. 1302, p. 62:3.

### **Time Out for Work**

TECHNIQUES for increasing productivity are sometimes rather complex in conception and indirect in effect. But a memo of unidentified origin recently printed in the newsletter of the Personnel & Industrial Relations Association of Los Angeles tries the opposite approach:

#### **TO ALL EMPLOYEES:**

Due to increased competition and a keen desire to remain in business, we find it necessary to institute a new policy—

#### *Effective immediately—*

we are asking that somewhere between starting and quitting time and without infringing too much on the time usually devoted to lunch period, coffee breaks, rest period, story telling, ticket selling, vacation planning, and the rehashing of yesterday's T.V. programs, each employee should endeavor to find some time that can be set aside and known as the "Work Break."

To some this may seem a radical innovation, but we honestly believe the idea has great possibilities.

It can conceivably be an aid to steady employment and it might also be a means of assuring regular pay checks.

While the adoption of the Work Break Plan is not compulsory, it is hoped that each employee will find enough time to give the plan a fair trial.

**THE MANAGEMENT**

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ADVANCE NOTICE: A worker in the Switchgear Division of GE's Philadelphia plant has little excuse for complaining if he comes home and finds the dinner table bearing the same food he had for lunch. To avoid irritation, reproachful looks, and mutual chiding, company cafeteria menus for the coming week are printed in the Division's house organ.

—Horizons

## Employee Benefits in Distribution: A Survey

**T**HOUGH employee benefits designed to attract and retain desirable workers are being provided by an increasing number of companies in the distribution field, relatively little information on these benefit plans has been generally available. To collect needed information on the extent and characteristics of employee benefits plans now operating in distributive companies throughout the nation, a recent survey was conducted by the U. S. Chamber of Commerce among 1,208 representative firms. Of these, over 37 per cent are wholesalers exclusively, 30 per cent are retailers exclusively, 10 per cent are service businesses (hotels, amusements, laundries, etc.), and 23 per cent are combinations of these three. Replies were received from companies in each of the 48 states, and from companies varying in size from the smallest to the largest in the distribution field. Companies represented in the survey employ a total of more than 150,000 persons.

Following is a summary of the key findings of the survey:

The most common employee benefit is hospitalization, which is made available by 94 per cent of all distributors. Surgical benefits and life insurance are parts of the personnel program in over 80 per cent of all retail, wholesale, and service companies.

Of the larger distributive firms, over half have retirement pension plans. In the case of very large retailers, 80 per cent provide retirement pensions. Among smaller companies, retirement

pension plans are less common—less than 25 per cent of small distributors have them.

Prepaid medical care plans are found in one out of three distributive businesses. Just as many small firms have this benefit as large ones.

Sick leave is provided by 80 per cent of the companies. Half of the larger firms have formalized plans. About one-fourth of smaller firms have formal arrangements. Retailers are more apt to have sick leave and prepaid medical care than are other types of distributive businesses.

Wholesalers closely follow the pattern for distributive business generally with only a slightly higher percentage having retirement pensions. Service businesses provide retirement pension plans to a greater extent than do other types of distributive businesses. Combination businesses put more emphasis on hospitalization and surgical benefits.

Insurance companies administer 91 per cent of life insurance; 77 per cent of prepaid medical care; 59 per cent of surgical benefits; 52 per cent of hospitalization; 35 per cent of formal sick leave; and 32 per cent of retirement pensions. Trust companies handle administration of the largest share of the retirement plans.

Company plans are the basis of administration for nearly all informal sick leave and 50 per cent of the formal sick leave programs. Company plans are also used for 15 per cent of retirement pension programs, but are a very

minor factor in the other types of benefits studied.

The highest coverage of non-executive employees is by formal sick leave plans, 75 per cent of which cover all and 88 per cent cover at least three-fourths of employees. Next in order are prepaid medical care, life insurance, and hospitalization. Retirement pensions show the lowest degree of coverage, but even here 44 per cent of the plans cover all employees and 64 per cent cover three-fourths or more.

Executive coverage is higher in every case than non-executive coverage. For example, 84 per cent of the life insurance plans cover all executive employees—a figure 31 per cent higher than for non-executives.

Wide variations are found among financing arrangements. Sick leave and retirement pension plans are most often

financed entirely by employers' contributions. The other benefits are financed in most cases jointly by employer and employee. In many hospitalization and surgical plans employees alone pay the entire cost.

Although life insurance is the longest established feature of distributors' benefit programs, emphasis today is on retirement pension plans.

Union contracts are comparatively unimportant in benefit plans of distributors. Only about 10 per cent of present benefit plans are involved in union contracts. Service businesses, however, show a higher percentage of their plans under union negotiations.

Profit-sharing plans are an increasingly important factor among distributors, and many firms are definitely planning to put such plans into operation.

—*Private Employee Benefits in Distribution* (Domestic Distribution Department, U. S. Chamber of Commerce, Washington 6, D. C.), 31 pages. \$1.00.

## Where Market Research Goes Astray

**P**oor marketing research has stifled many good products, selling plans, and advertising campaigns—because wrong conclusions were drawn from inadequate data.

Here are some of the commonest pitfalls of research:

*The fuzzy survey.* The survey that lacks a crystal-clear objective is likely to be vague in its planning and uncertain in its findings. Surveys cannot be dependable unless their purpose is well thought out.

*The survey that tries to cover too much ground.* Too many variables can make research collapse—for instance, comparison of selling campaigns with different product features and different prices and different methods of distribution. You've been in the meetings where someone says, "As long as we're spending all this money for testing, let's get the answers to all the questions that are worrying us." Simplicity in research is essential. A sharply defined questionnaire with the fewest



possible variables evokes the most decisive answers.

The "pilot" study that becomes gospel. You have seen it happen. The inadequate sample which was designed as a trial run of a research project comes up with an answer everyone likes. Bingo, someone decides, this is it—no use to go any further. This "pilot" can pilot you right on the rocks of the wrong conclusion.

Questions that respondents can't answer. Here are just a few ways the public can confuse the researcher:

1. The respondent gives you the answer he thinks you want.
2. The respondent answers not as a typical consumer but tries to be an expert.
3. The respondent answers as a non-buyer very differently from the way he would answer at the actual moment of purchase.
4. Respondents do not always tell what they think—especially when a

—Grey Matter (Grey Advertising Agency, Inc., 430 Park Avenue, New York 22, N. Y.), April 1, 1955.

truthful answer would necessitate their exploring their own minds.

5. What the respondent states he likes or dislikes may be directly opposed to what motivates him to buy.

6. The respondent's reaction may change overnight as a consequence of some unforeseen influence.

7. People don't always know what they think. Research tends to get the logical answer rather than the real emotional response.

Surveys that mistake attitude for behavior. Attitude is only one determinant of behavior.

Surveys that transpose behavior from one situation to another. The meaningfulness of the situation can change despite the outward similarity. The customer might choose package A rather than package B when she sees them in her home, yet reverse her choice when she sees them on a supermarket shelf.

### **The Seasonal "Lull": Real or Imagined?**

IN THE NOT-DISTANT PAST, paint was spread in the summer months and wallpaper pasted up in the winter months. That's the way sales patterns were established, and that's the way distributors planned their sales promotions. Hidebound ideas of the "proper time" to promote a product extended across the board.

While they originally had some basis in fact, these deep-seated beliefs among merchandising men have been invalidated by rapid changes in consumer buying habits. If any proof be needed, a market research organization recently matched retail advertising and promotion expenditures against a revised pattern of consumer buying and found that in no single instance have advertising practices been changed to meet new buying habits.

The rise of the do-it-yourself market is partially responsible. The

ordinary householder who decides to repaper a room doesn't care whether it's fall, winter, spring, or summer. He does the work—and buys the materials—when the fancy strikes him. And if he wants a tuna-fish sandwich when the winter winds are howling, he isn't going to wait for Lent.

The props are knocked out from under one more belief—that no one will buy anything during July-August-September because they are all on vacation—by a recent study, made by the Curtis Publishing Co., which showed that only half of all U.S. households go on a vacation trip in any one year—and of those who do go on a trip, less than half of them travel in the three summer months. In the peak vacation month, August, only slightly more than 6 per cent of the population is on vacation at any one time.

The American market has become a 12-month affair for practically all products. Anyone who sits back with the excuse that he cannot sell during this season, or another, may well be fooling himself—to the gratification of his competitor.

—*The Biddle Survey* (Biddle Purchasing Company, New York)

### **Prizes for Product Ideas**

"WHAT'S YOUR BIG IDEA?" Last June, Corning Glass Works asked its 13,000 employees this question. The result: 27,687 suggestions for new glass products in the course of a five-month contest at Corning's 18 plants.

New glass products suggested by Corning employees ranged from vases and lipstick holders to septic tanks, dog dishes, and structural beams. About 10 per cent of the total number of suggestions submitted were worthy of further consideration. Of these, 5 per cent were in the outstanding or excellent category. Duplication ran very high.

The contest was discussed with union officials before it started, and received their support. Contest judges were seven Corning executives. Entries were rated on a 1 ("out of this world") to 5 ("impossible") basis. A number of entries were sent to the engineering and research departments for technical checking.

Corning won't reveal the really hot ideas it got from the contest, because of competition. But it does admit it has started to work on some contest entries. Some of the products will be on the market next year; others may take several years to develop.

Corning had expected employees to enter ideas based on their own work. Instead, workers drew on their experience as housewives, hobbyists, and do-it-yourself men for ideas. The biggest batch of entries was in the field of cooking ware, with 7.2 per cent of the total. Other fields with many entries were dinner ware; home appliances; home decorations; office, sporting, and industrial equipment; and kitchen accessories.

The contest was superimposed on Corning's suggestion system. In addition to prizes, contest winners may share in profits from their ideas under the suggestion system at the discretion of the contest judges.

—*Elliott Suggestion Service Monthly Bulletin* (Elliott Service Co., 30 North MacQuesten Parkway, Mount Vernon, N. Y.) 3/55

## Tips on Reducing Absenteeism

**T**HE FAILURE OF WORKERS to report on schedule adds to the cost of doing business. Many firms are stymied by the persistence of the problem. Though there's no one remedy for absenteeism, a systematic attack on the condition can pay big dividends.

Before you can take appropriate measures, you must have complete and accurate data. A simple form which provides information on the location and extent of absences will suffice. Most important is the breakdown by department, shift, days of the week, sex, or other classifications as needed. You can expect higher rates for some groups—women, night shift, etc.—but unusually high figures will disclose habitual offenders.

A standard form, for use in every division, should include: date, name, clock number, department, and supervisor; a list of reasons which can be quickly checked; the first day absent; and the date of expected return to work. This last item will help in scheduling transfers or other temporary work arrangements.

If you wish to use over-all figures for comparisons with other plants, establish a standard method of measurement. One possibility is the formula used by the U. S. Bureau of Labor Statistics, which furnishes industry rates. This consists of the number of daily absences divided by scheduled man-days of work, with the results expressed as a percentage.

The variety of employee excuses is endless, but they can be grouped into classifications that suit your control methods. A useful classification that can be incorporated in your report form would

be as follows: (1) illness; (2) accidents in the plant; (3) accidents outside the plant; (4) excused—personal business; (5) unexcused absences. These categories immediately suggest some approaches.

*Frequent illness*, the most common cause in all reports, may show need for greater health and safety training. Your supervisors should see that plant and office are kept at proper temperatures and should encourage employees to take periodic physical checkups. It may sometimes pay to make examinations compulsory.

Physical or mental fatigue, resulting from working conditions, can be reduced in several ways. It may be possible to regularize the flow of work. Check lighting, ventilation, seating arrangements, and eating facilities. Shift duties around to prevent boredom in some jobs where this is practical. Where the illness is mainly an emotional worry over a pressing personal or domestic problem, knowledge of available counseling services may be helpful.

*Absences due to accidents* demand more attention to safety training in the proper use of tools, handling of materials, importance of safety equipment, and observation of rules. If a large number of accidents take place outside the plant, consider distributing bulletins on first aid, home safety, and safe driving. The National Safety Council and the U. S. Public Health Service can furnish these.

*Personal absence* calls for a clearly defined well-publicized, and consistently enforced policy. It should cover such matters as deaths or illness in the family, jury duty, and legal transactions. By setting

forth a uniform approach, you will be in a position to define and attack the problem of avoidable absences.

*Unexcused absences* pose two separate problems. For individual offenders, you have to decide when absenteeism becomes chronic. A consistent disciplinary policy on notice, warnings, and discharge, which involves no favoritism, should weed out the black sheep. However, when questionable excuses turn

up within a group, look for signs of dissatisfaction with supervision or working conditions. Here your best bet will be a comparison of low- and high-absence groups. The differences may be in lack of pay or job advancement, over-qualification for job duties, poor work planning, or failure of the supervisor to listen to grievances or suggestions on safety or better operating methods.

—*Labor Report*, Research Institute of America, Inc. (589 Fifth Avenue, New York 17, N. Y.), Vol. 10, No. 23.

## Employee Recreation: An Aid to Production

**T**HE AMERICAN worker is the most pampered in the world. U. S. industry pays him the world's highest wage scales, then shells out another \$25 billion a year (or about \$1 for every \$5 paid in payrolls) for such fringe benefits as pensions, paid vacations, and welfare funds. But the real frosting on the cake is a vast assortment of "extras," ranging all the way from equipment for lunch-hour ball games to employee country clubs and yacht clubs with company-owned fleets of yachts.

Employee recreation got its start in 1883, when George Pullman, the Chicago railroad car builder, passed out some baseball equipment to the men in his shop. By 1953 it had snow-balled to the point where 30,000 U. S. companies spent \$800 million on recreation—50 per cent more than in 1948. The National Industrial Recreation Association, organized by 14 companies in 1941, now has 300 members.

Baseball teams and bowling leagues are by no means the only things that companies offer. For its 12,000 Dayton workers, the National Cash Register Co. runs a 166-acre park with picnic grounds, swimming pool and two 18-hole golf courses. It is now planning a field house for winter sports. International Business Machines Corp. has three country clubs for its workers, charging membership fees of \$1 a year for employees, \$1 for wives (or husbands), and 25 to 50 cents for each child. Detroit Edison Co. and Standard Oil Co. of California provide yacht clubs. The employee-run Convair Recreation Association owns a 125-acre ranch and a rodeo arena. At least five Atlanta firms have built private parks for their employees at a nearby lake.

The costs of these programs can be nominal—or, as with Standard Oil of California, they can reach as high as \$150,000 a year. In Los Angeles, McCulloch Motors Corp. pro-

vides facilities for most popular sports, sponsors such activities as skiing and square dances, and has a million-dollar employee recreation hall with 12 bowling alleys and a low-cost, open-air cafeteria (typical three-course lunch: 78 cents).

Such programs are by no means universal. In heavily unionized cities such as Pittsburgh and Detroit, extra benefits are less common. Workers in big cities are less likely to want company-sponsored recreation facilities. Moreover, the unions fight for the loyalty of their members, try to incorporate extras into their contracts, and often have their own recreation programs.

Many workers, looking with suspicion on company recreation, say that they would rather get the extra money in their paychecks. To avoid the company stamp, many a corporation works out ways to let employees finance their own programs. A sizable share of the money often comes from plant vending-machine profits (about

\$100,000 a year for the Convair Recreation Association). Another way to remove the stigma of paternalism is to let workers run the program. At Bell & Howell Co., Chicago, the employee recreation corporation has only three management members on the 15-man board.

Workers and unions are not the only ones to be suspicious of such programs; many a company still takes a dim view of them. But more and more companies are coming around to the view that pampering pays. In the traditionally low-paying insurance business, which pioneered in pensions and sick benefits, some new frills are being added. In Houston the Prudential Insurance Co. of America two years ago put up a \$9-million building with a swimming pool, outdoor lounge, and free-lunch cafeteria. The company now has a waiting list for clerical help. Says Prudential Vice President Charles Fleetwood: "This building is one of the biggest bargains we ever got."

—Time, Vol. LXIV, No. 11, p. 96:1.

### **Words to the Wise**

HERE IS a "thought-provoker" to toss into your next foremen's meeting:

In human relations the

- five most important words are "I am proud of you."
- four most important words are "What is your opinion?"
- three most important words are "If you please."
- two most important words are "Thank you."
- smallest word is "I."

—Mill & Factory

***Guard Those You Love—Give to Conquer Cancer!***



## Traffic Management: Gold Mine in Transit

**L**AST November, 24 of industry's leading traffic experts were invited by *Dun's Review and Modern Industry* to comment on the results of a pilot survey made of over 300 manufacturing companies. The survey's purpose was to develop a number of traffic-costs-to-gross-sales ratios on an industry-by-industry basis. When the findings were unveiled, the experts were aghast to find that inaccuracies and distortion abounded in every ratio, for every industry. Less than 10 per cent of the respondent companies maintained accurate, current cost data; the others had returned their best estimates, most of which were incorrect!

Why does top management in many companies accept on blind faith expenditures frequently amounting to more than 20 per cent of net sales?

All too frequently the total traffic cost is regarded as inevitable. As the president of a machine tool company said, "What can we do about it? The Commission makes the rates and we've got to pay them."

Actually, buying transportation service is much like buying any other service or materials, except that the pricing structure is highly complex. Inefficient buying wastes thousands of dollars for many companies each year. Many additional thousands are wasted because many firms, having committed the cardinal management sin of failing to control the traffic department, fail to use the auxiliary services that depart-

ment should and can provide to other departments.

Many sales departments are totally unaware that they waste thousands of traffic dollars. Hypnotized by the magic phrase "service the account," sales management often insists on the fastest form of delivery, regardless of cost. A machinery manufacturer discovered last year that 40 per cent of all shipments were being made via fast, premium-cost, rail and air express. It turned out that more than two-thirds of the express shipments could be made by a slower method without damaging customer relations in any way. Savings: \$3,700 per month.

The complete unawareness of executives outranking the traffic manager of even seemingly elementary facts about the movement of materials and products cannot be overstated. This month, for example, the vice president of an Ohio manufacturing company, who is legitimately proud of his production efficiencies, will waste between \$4,000 and \$5,000. He insists that certain inbound materials be expressed to the plant because he can't afford production delays. But in the raw materials warehouse sit shipments of materials that arrived two months ago at a cost three times over another form of transportation which would have taken only two days longer!

In most companies, management has no way of knowing whether even basic functions in the traffic department are being performed efficiently. Take rate work, for instance. The possible com-

binations of fixed rates for a multiplant company may be in the millions; determining the lowest rate possible, considering all factors involved with a shipment, is a complex job. But a smart traffic department negotiates whenever possible with the carriers to get an even lower, special commodity rate for the product. Yet management—not from a reasoned assurance that sufficient vigilance and ingenuity are being exercised in the traffic department but from lack of alerted interest—seldom controls this basic function.

To many students, of management, it appears as though traffic management is in a transitional phase. Many traffic managers are still functioning as rate clerks, nor will management permit them to be more. Other traffic managers, in companies of equivalent size in the same industry, wield influence that would have been inconceivable 20 years ago. The "traffic manager" of St. Regis Paper, for example, is a vice president and a member of the board of directors.

—JAMES K. BLAKE. *Dun's Review and Modern Industry*, March, 1955, p. 59:5.

A notable instance of what might be termed the final phase of traffic management assimilation by the corporate structure is in Lever Brothers, where the "traffic manager" is, as he puts it, "in charge of movement." Every element affecting the movement of raw materials or finished products, except only that intra-plant movement directly related to manufacturing processes, is under his direct or functional control. That includes all warehousing, materials handling, packaging, and the purchase, operation, maintenance, and disposal of about 1,100 company-owned sales vehicles.

Only a handful of companies have accepted this concept to date. The immediate, crying need is obviously for better control of current traffic functions. Meanwhile the trend toward logical consolidation of all responsibilities associated with the movement and storage of materials and products under one executive is beginning to emerge.

## How Efficient Is Your Order Processing System?

**P**ROCESSING customer orders, a big part of the office job in most companies, represents an area where substantial savings in cost may be made, often immediately. In addition, a study of the order processing system often improves customer relations and makes the selling job easier.

Your order processing system should be checked periodically in terms of cost, speed, accuracy, and workload.

If your system remains static while business conditions change, the result may be an overburdened, inefficient system, or an expensive, overstaffed system.

In the case of the overburdened system, which is incapable of smoothly handling the work to be processed, customer service is bound to suffer. Salesmen spend their time servicing complaints and inquiries, rather than

selling. Internally, these complaints and inquiries compound the burden. Errors increase. Inventory control becomes more difficult. Income and expense cannot be accurately forecast, since these must be based on non-current data.

On the other hand, if the system is underworked, with fewer orders being processed than the system is set up to handle, the cost per order will be high, employee productivity will be low, and the morale of other "hard-working" departments will be endangered.

Inefficient systems often result from internal causes. These causes generally can be classified into four types: organizational, supervisory, training, and personnel.

In addition, there are two other important reasons why order processing systems often become inefficient. The first is that methods, procedures, and systems generally are considered low-level, line-operating problems. They therefore escape the notice of top management. The second reason involves the interrelation between major divisions of a company. This interrelation makes it difficult or impossible for a supervisor to institute major changes in a system or procedure in his department without affecting other departments.

There are three basic methods for the processing of a sales order: manual, mechanical, and electronic. To determine which method or methods should be used requires a thorough study of the particular organization or department involved. The following factors must be considered, as well as the interrelation of these factors:

*Number of orders handled.* A moderately large number of orders is handled best by mechanical means. If the business involves only a few orders a day, it would certainly be cheaper to use manual posting. Increases in the number of orders may warrant the use of adding, calculating, and tabulating equipment. Electronic equipment might become practical with a tremendous volume of orders.

*Number and variety of items handled.* The larger the number and variety of items in inventory, the more the need for tabulating equipment. If there are, for example, over 10,000 items in active stock, there might be a need for electronic equipment.

*Type of items handled.* The business that deals with special, complex, or custom-made items would generally be better off using a manual method. Costs mount when the setup time for mechanical or electronic equipment is considered.

*Annual sales.* It has been found by large tabulating-equipment manufacturers that a wholesaler should average approximately \$2 million a year in gross sales before the expenditure for tabulating equipment may be justified.

*Inventory.* A firm having a large turnover, with, for example, 500 to 10,000 items, would be in a better position using mechanical methods, since the cost per item decreases rapidly. With a larger turnover and more than 10,000 items, a concern can often use electronic equipment.

*Speed required.* Obviously, where speed of operation is required, the need for machine equipment is of the utmost importance.

—THEODORE NOWAK. *Sales Management*, February 15, 1955.

## **Point System Cuts Absenteeism**

SINCE THE ADOPTION of a demerit and disciplinary program six months ago at its Hicksville plant, the Pittsburgh Plate Glass Company has reduced its absentee-tardiness problem.

Demerits are issued whenever an employee is absent or late. If a worker fails to report his absence in advance, he is charged with four demerits. If he does report it in advance and according to instructions, he receives only one demerit. If his absence is proven unavoidable, no demerit is given. When a worker is late, he receives  $\frac{1}{4}$  demerit.

An employee receives a verbal warning for two demerits during any six-month period, and a written warning for six demerits. There is a three-day suspension for eight demerits, a five-day suspension for 12 demerits, and a "suspension with intent to discharge" for 16.

The company has found its employees cooperative; much of this is credited to the foremen. It is their job to talk to the workers, explaining how absenteeism and lateness upset production and shipping schedules and raise costs. When the foreman receives a notice from the personnel office, he speaks to the worker involved about his demerits and explains the penalties, emphasizing how important his presence is to the smooth operation of the department. Absenteeism has dropped impressively as a result of the plan.

—*Management Methods* 3/55

## **Five Pillars of Corporate Wisdom**

A CORPORATION should fully enter into the life of the community—as well as that of the state and the nation—the same as any public-spirited individual citizen. To do less is to lend credence to the charge that corporations are rather impersonal creations of the business world with their eyes only on the profit-and-loss statement.

Before a company can be a good citizen, however, a few fundamental requirements must be met:

First, the corporation must be a profitable one. If it does not make a profit, it will be able to contribute nothing to the community welfare. Instead of an asset to the community, it becomes more of a detriment to the over-all economic well-being of the community.

Second, it must have a good organization. The corporation must be functionally sound and staffed by individuals who have the desire and the ability to contribute to the over-all community welfare.

Third, it must have good internal relations, based on the philosophy of harmony and mutual interest. This embraces the acceptance and actual use of sound human relations policies throughout the entire structure of the company.

Fourth, the corporation must establish and maintain good external relations with the community. It must contribute its fair share to community affairs and to the over-all community development.

And, finally, the corporation must have that intangible element of sincerity present in its every action which will give life and meaning to the other four.

—REUBEN B. ROBERTSON, JR. (President and Chairman of the Board, Champion Paper & Fibre Co.) in an address before the Congress of American Industry

## Britain's Socialist Experiment: Object Lesson for Americans

**F**OR MORE THAN 20 years, American business has been the central target of a bitter socialist attack upon our free economy; and we have had to defend ourselves against that attack almost singlehanded. We have told ourselves that we were also defending nobly the economic and political liberties of every man and woman in this nation—and this was entirely true—but our fellow men just didn't see it that way.

To them it appeared that we were striving chiefly to save our own skins—that this was a private fight, and that they could afford to watch from the sidelines and wait for the best man to win.

Though most of these people sincerely believe in our enterprise system and want to see it preserved, they also harbor a deep suspicion that free enterprise is a device designed primarily for the benefit of business—that it is our own personal baby, and that we have a vastly greater stake in its survival than they do. So they shrug off these attacks with one cynical question: "What have I got to lose?"

And to this date we have never answered that question to their satisfaction. Yet we have, at our fingertips, an answer so clear, convincing, and dramatic that hardly anyone could fail to understand it: the case history of Britain under the recent socialist government.

Nine years ago the Labour Party

and the labor unions took over the British government lock, stock, and barrel. Then they set out to create in England the socialist Utopia that they had always pictured. First they established a system of cradle-to-grave security which undoubtedly did benefit the most impoverished groups in their economy. After that, they nationalized virtually all of the biggest, most important industries in the land, and fashioned them into a giant monopoly under government ownership and operation.

What blessings did the British worker enjoy under this Labour regime? His unions had achieved their highest ambition. They were their own bosses. They controlled the biggest, richest industries in the land; and they could whack up all the profits as they pleased.

But alas, there weren't any profits to whack up. And the union leaders were far from happy. They wanted, presumably, to grant every wage demand of their membership; and as the owners and managers of their newly-acquired industrial monopoly, they could easily jack up their prices accordingly. But as government officials and statesmen they could hardly allow their country to plunge headlong into bankruptcy.

To keep England solvent, they had to maintain British exports. To maintain exports, they had to keep their prices competitive with those of the most efficient producers of the other



nations of the world. And to keep prices competitive, they had to hold production costs—and wages—down. So in the end, they had no choice but to try to enforce what amounted to a wage freeze.

As a taxpayer the British worker learned to his sorrow the ruinous price of the all-out welfare state. His leaders had worked the rich while they lasted; but that wasn't long, and all that they got from the rich was only a drop in the budget. And they could not soak big business, because they already owned it, and it paid no taxes at all. So there was no one left to soak but John Q. Worker himself.

In a way, this really didn't matter so much, because there wasn't a great deal he could have bought with his money, even if he'd been allowed to keep it. The luxury of leisure was far more attractive than time-and-a-half for an extra day's work; and it was the only real luxury left to him. Shut in behind an iron curtain of laws, controls, and regulations, he filled out endless forms, queued up for his daily bread with ration book in hand, and bought whatever the government permitted him to have. But three great necessities of life which it never allowed him at all were opportunity, incentive, and hope.

Within the framework of their socialist philosophy, the leaders of the Labour Government tried loyally and

sincerely, I believe, to solve the many critical problems which confronted them, and to create a better life for their fellow workers. The fault did not lie with their intentions. It lay with their philosophy.

So again we return to the original question: Who does have the greatest stake in our American enterprise system? Is it the stockholder, with his dividend? Is it the worker, who gets many times that sum, and enjoys the highest standard of living in the world? Or is it the consumer, who reaps the blessings of competition and surrounds himself with every conceivable comfort and convenience of this modern age?

The answer, of course, is clear. Our free competitive economy is the only system in the world that richly rewards every segment of society; and that is because it is the only system on earth which truly belongs to all of the people. It is the property—and responsibility—of every man and woman in this nation.

And if we can ever bring to our fellow men a true understanding of what this system means to them, to their children, and to unborn generations yet to come, then we may rest assured, I think, that American business will never again be called upon to "go it alone" in leading the fight against the forces of socialism in this country.

—From an address by BENJAMIN F. FAIRLESS, JR. (Chairman of the Board, United States Steel Company) before the Seventh Annual Conference of the Public Relations Society of America.

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**ABSENTEEISM** resulting from sickness and accidents costs American business an estimated \$9 billion a year, or about \$1,275 every second of each working day, according to the Small Business Administration.

# Industrial Safety; A Blueprint for Action

**THOMAS J. BERK**

**Safety Consultant, Health and Welfare Division  
Metropolitan Life Insurance Company, New York City**

**T**HE BASIC REQUIREMENT in accident-prevention work is to know exactly what the problem is. To solve our difficulty on a national basis, we should have to set our sights on a program that would give us an opportunity to save some of the 91,000 Americans who are killed and the 9.2 million who are injured as a result of accidents each year. Should we attempt to save the 36,300 lost through motor vehicle accidents alone, we should have to devise some means whereby traffic accidents would be eliminated.

Stopping traffic accidents is a vital part of today's industrial economic structure. It will remain so while 18,000 of the 30,000 fatalities to workers off the job result from motor vehicle accidents. However, the specific problem and concern of progressive management is, "What can you and I do to help do away with the cause or causes of work injuries that in 1954 alone resulted in 14,000 deaths and 1,850,000 injuries among gainfully employed men and women?" What can we do to help reduce the drain on our business economy that in 1954 cost more than \$3.1 billion for occupational accidents alone?

Fortunately for us, there is something we can do. But this something requires the will and the perseverance to determine and do away with the underlying causes of these accidents,

An address delivered before the AMA Spring Manufacturing Conference, Chicago, March 28, 1955.

whether they are human or mechanical and whether management or employees are at fault.

Since employee accident prevention was first undertaken on an organized basis in the United States, many satisfying results have been obtained. This is particularly true in organizations and industries which have developed intensive safety programs. For example, between 1935-1939 and 1953, a reduction of more than two-fifths has been noted in the frequency rate of disabling injuries per million man-hours of exposure, and a reduction of nearly 50 per cent in the severity rate based on days lost per 1,000 man-hours of exposure.

Many industrial and commercial organizations have shown even greater reductions. They have proved that accidents are not a necessary by-product of a business and that the prevention of accidents pays. What must be done now is to encourage management personnel to continue their support in the fight against accidents—show them the ways in which they can benefit from effective safety work and the advantages of a good, safe working place.

## **"SELLING" THE PROGRAM**

If your management is economically minded, tell them that a 10 per cent reduction in the frequency of accidents represents an annual saving of

about \$1,250 for each 100 employees, or a 6 per cent return on \$20,000. If you can sell them more readily on a humane approach, tell them that the real dividends of safety are the lives saved, the limbs saved, the homes saved, and the human suffering saved. While we can in no way tell how many accidents have been prevented by good safety work, most of us surely can reflect on the results of at least one accident: what it has done to the individual, his family, his community, and his future, if he was fortunate enough not to have been killed.

A good safety record is not easy to obtain. Experience has indicated that a low on-the-job or off-the-job accident rate is the result of maintaining well-organized and carefully planned programs; it is not the result of spasmodic efforts. The safety program must be designed to fit in with the operating procedure of the organization; safety factors must be integrated in all working procedures; and, of most importance, the safety program must have the active support of management, supervisors, and employees. From a management point of view, such support is more than justified by many factors.

An accident resulting in an injury to an employee imposes a direct charge on the employer, involving the payment of compensation and necessary medical expenses or the payment of insurance premiums to cover these liabilities. Although lowered accident rates tend to reduce these direct accident costs in many companies, the national economic loss from accidents has increased tremendously during the past few years as a result of more liberal compensation provisions and higher wage scales.

In addition to the direct charges, the employing organization must bear the cost of time lost by other employees and supervisors because of curiosity or services rendered to the injured worker. The company must also bear the economic loss due to the absence of the injured person, the employment and training of a replacement, and the curtailment of production during the period of replacement, even though the accident occurs off the job.

Whether a work accident results in a personal injury or not, it is usually accompanied by the damage of tools and equipment and the spoilage of raw or finished products, imposing an additional economic loss on the employer and interfering with or curtailing production. These so-called indirect costs represent a serious financial drain. It has been estimated that the indirect costs incident to personal injury accidents alone average approximately four times as much as the direct cost of such accidents. The more important accident losses are:

#### PERSONAL INJURY ACCIDENTS:

<u>Disabling Accident</u>	<u>First Aid Case</u>
Compensation payments	Time for first aid*
Medical expense	Cost of first aid
Loss of services of injured*	
Training new employees*	

#### NON-PERSONAL INJURY ACCIDENTS:

- Damage to tools and equipment\*
- Damage to raw or finished product
- Delay of production\*
- Inferior products\*

\* Usually non-insurable.

The recent enactment of employee disability laws in several states places a responsibility upon the employer to recompense the employee for at least a portion of his income lost because of accidents resulting from non-occupational causes. Even in those states, however, where the employer's legal liability for injuries to employees is confined to accidents which occur in connection with the work of the employee, the employer does suffer an economic loss through absenteeism and delayed production as a result of off-the-job accidents to his workers. The need of integrating off-the-job safety activities in occupational safety programs is becoming increasingly apparent.

#### AN ESSENTIAL COMPANY ACTIVITY

Effective accident-prevention work can be made an essential phase of an employee relations program, particularly where safety consideration is included in the selection, placement, induction, and training of employees. In many organizations, particularly those engaged in transportation and the trucking industry, as well as others having close contact with the public, the conduct of accident-prevention programs is an important influence in the field of public relations.

It has been found that an actual knowledge of the previous experience of an organization is essential to the development of a worth-while safety program. To obtain such information, an effective system of accident-reporting is necessary, and frequent and competent analysis of accident records is desirable. There are many ways to illustrate the type of accidents occurring in the plant. The American Standards Association has issued a code

covering the types of accidents to be considered. There are also many ways—graphs, contests, and the like—of presenting a visual picture of the accident experience of an organization.

#### RECOMMENDED SURVEY

The best way to evaluate a safety program or to inaugurate a program is to make a survey of the accident problem and of the existing safety activities in order to determine the justification for such activities and methods of increasing their effectiveness. This should be initiated at a conference with operating officials in order to plan procedures and obtain the active support of top management. An analysis of the company's accident records is considered a preliminary and essential phase of such a survey. And, as the success of the safety program of any organization is dependent upon the manner in which the supervisory force accepts its responsibility for accident prevention, conferences with members of the supervisory force are desirable during the initial planning.

Finally, to aid in integrating the prevention of accidents with the regular production activities, a study of the company organization and the pertinent phase of company policy is essential. The survey should also include a review of methods followed in the selection, placement, and training of employees, together with a study of educational activities (including safety committees, accident-prevention contests, methods of advertising safety, first aid instruction plans, and so on) and—highly important—the physical conditions of the premises as they affect the safety of the employee.

## **Facts on "After-Hours" Accidents**

AMERICAN WAGE-EARNERS have fewer accidents while on the job than they do out of working hours—at home, on the street and highways, and in recreational pursuits. Nearly 70 per cent of the deaths from accidents, and more than half of the non-fatal disabling accidents among workers occur during "off-the-job" hours. The predominance of non-occupational accident fatalities is borne out by the experience among men with industrial insurance in the Metropolitan Life Insurance Co.

In this experience the proportion of accidental deaths occurring off the job varied with the occupation of the worker. In a number of occupational groups all or nearly all of the fatal injuries were sustained off the job.

Examples of such groups are workers in cotton or woolen mills and in furniture factories, barbers, and operatives in shoe and clothing factories, among whom the non-occupational mishaps accounted for the entire accidental death toll in the years 1951 through 1953. Other such groups are the white-collar workers, among whom fewer than one in 10 of the accident fatalities arose in the course of their employment.

Even in occupations which involve appreciable accident hazards, off-the-job accident fatalities predominated in the insurance experience. Four-fifths of the accidental deaths among carpenters and painters were non-occupational, as were three-fourths of those among iron and steel workers, two-thirds of those among fishermen and railroad enginemen and trainmen, and more than half of those among chauffeurs, structural iron workers, and welders.

—Insurance Advocate 3/19/55

## **Survey Finds Executives Are Human**

IF THE American business man could only find time to come face-to-face with the more sheltered members of the community, perhaps he could do much to dispel the still frequently-held notion that most big business executives are gruff, predatory "robber barons."

At least, that is the conclusion suggested by the findings of one public opinion polling organization which reversed the usual process and polled their own interviewers as to how they had been impressed by the businessmen they themselves had interviewed. The result was a whopping vote of approval for top management.

Most of the interviewers were middle-class women "intellectuals," who were sent out to interview 900 heads of companies as part of a survey conducted by the National Opinion Research Center.

Fifty-six per cent of the interviewers admitted that they found the executives to be different from what they expected. Just half of them said the interview had changed their attitude toward American business leaders. Of these, 79 per cent changed in a favorable direction. As a result, the present over-all attitude of the interviewers is better than four favorable to every one unfavorable.

The interviewers were struck by the candor, intelligence and courtesy of the business men, the amount of time and interest they gave to the interview, and their attentiveness. Other interviewers expressed their surprise at finding prominent business men "so real and even human."

—Journal of Commerce 2/15/55



## Manufacturing Pitfalls in Product Development

**W**HO IS responsible when a new product fails? The usual scapegoat is sales—which may actually not be to blame at all. Very often, the real fault lies with manufacturing, which simply hasn't understood the role it plays in the development of new products. Manufacturing has certain prime responsibilities it must recognize—and accept. Here are some of the most important:

*Selection of product.* Before a product is adopted by the company, the manufacturing department should pass on the suitability of present production facilities, cost of tooling, additional equipment required, cost estimate, quality and safety considerations. It's necessary to anticipate problems arising out of differences between the proposed product and what you are accustomed to producing—and know whether they are serious enough to recommend rejecting the product. You should have enough detail in hand to make a fairly accurate estimate of how long it will take to develop manufacturing methods and tool up.

*Pilot run.* Having one man responsible for all processes in the pilot stage makes it possible to tie them together and achieve greatest over-all manufacturing economy, with least cost of time and money for development. During this stage, the top manufacturing executive should keep close to the man in charge of the pilot run. Every problem solved during the pilot run is

a problem that won't come up during the production run. Every problem that isn't anticipated and disposed of now will grow to much greater proportions when you are producing in large quantity.

*Planning for production.* This includes procurement of raw materials; manufacturing processes and methods; personnel; tooling, equipment, and layout changes; schedules; and control of in-process inventory. All these items of planning are the responsibility of the manufacturing executive.

*Procurement of raw materials.* While the purchasing agent may be responsible for procuring raw materials and components, and the traffic agent for seeing that they arrive on time, they cannot plan quantities or schedules without advice from manufacturing. Tentative schedules may have to be changed; so may specifications.

*Processes and methods.* It may be the practice in your company for the engineering department to indicate the manufacturing procedures. Nevertheless, the top manufacturing executive's knowledge and experience are needed here.

*Tooling and equipment changes.* Generally, any new equipment purchased for a new product should be as versatile as possible. If the new product shouldn't be a success, you will be much better off with equipment you can use for producing something else. Of course, if economies of production

and contracts cover the entire amortization of the machine, then a special-purpose tool is justified.

*Layout changes.* When a new product is introduced into the factory, its volume, path or plan of flow, and space requirements may necessitate changes in plant layout. At any rate, the fitting-in of the new product and its in-process inventory should be planned well in advance of the date of manufacture.

*Personnel selection.* Any rearrangement of personnel, of course, will result in at least temporary reduction of efficiency in present production operations. But it is important to select most carefully the supervisory, technical, and operating personnel who, individually and as a team, promise to give the new product its best opportunity to succeed in the shop.

*Production schedule.* All the variables must be taken into account in planning the production schedule: rates of performance by different machines and operators; quality of raw materials; interruptions in service, such as electric power; rates of rejection by inspection. On top of all this, variations in the basic schedule will probably be imposed by sales demand and availability of raw materials and labor. It's a difficult assignment, but one that must be planned before starting a full-scale run, and usually before all the probable variations are known.

*Process inventory control.* In many companies this is a problem. The manufacturing head should restrict his inventory requirements to what is necessary, plus some safeguard against unforeseen temporary dislocations. The

inventory of work in process will stagnate unless he keeps it under constant review and solves the problems of uneven production flow, as far as possible, by attention to the production processes themselves. The financial officer should inform himself of the details of location of inventories, so he can form a reasonable judgment of their necessity from a practical manufacturing point of view.

*Cost reduction.* After the product has passed the pilot run, ways may often be found to redesign parts for fewer and simpler operations, or to use interchangeable parts for more than one model. Redesign may permit working with easier tolerances without affecting the product's operation, thus reducing the number of rejects. Refinements in manufacturing processes that do not involve the performance or appearance of the product need not be discussed here; however, the greatest opportunities for making such changes are to be found during the early life of the product in the factory.

*Quality.* In many cases there is a tendency to build too much quality into new products, rather than too little. You will find it difficult to meet competition on cost if you excel materially in quality. The customer will eliminate products that are below his quality requirements; he will also eliminate products that are above his price standards.

*Safety.* Failure to study the hazards inherent in the product itself or in the processes of making it may result in large lawsuits against the company, and in rejection of the product by the buying public—consumer or industrial. Manufacturing has a good opportuni-

ty to correct safety hazards in the product before it reaches the market. In fact, consideration of the additional cost of avoiding serious hazards during

manufacturing may sometimes lead to skipping an otherwise promising product, before large development expenditures have been made.

—KEVIN McLAUGHLIN. *Factory Management and Maintenance*, Vol. 112, No. 11, p. 132:4.

## Quality Control of Purchased Materials: One Company's Program

**T**O GUARANTEE and sustain the quality of his product, every manufacturer must first be certain his basic materials are top quality. At the Ford Division of Ford Motor Company, critical examination of our own receiving inspection techniques resulted in the development of a program designed to prevent use of defective materials and to produce the facts necessary to effect prompt correction of defects at the source.

The first step was to hire a group of men we call material technical specialists. Each is an expert in a particular field, such as chemical engineering, gear manufacture, etc. We established eight material categories, assigning responsibility for each to a specialist.

Next, we designed an inspection operation sheet on which can be detailed characteristics to be inspected, method and schedule of inspection. When part prints are released by engineering, technical specialists process them, selecting points to be inspected and marking and classifying them by order of importance.

Characteristics are rated under the heading of "safety," "critical," "ma-

ajor," "minor," or "incidental"—depending upon their significance to the satisfactory function of the assembled product. The highest individual characteristic within the part determines the class of the part itself. For example, a part containing major, minor and incidental characteristics is regarded as a major.

Quality control analysts group these characteristics by classification, describe them, assign frequency of inspection to each class and determine frequency of laboratory and layout inspection.

Receiving inspection of characteristics designated "critical" and "safety" is scheduled for every shipment. Receiving inspection of major, minor and incidental characteristics is scheduled in accordance with the nature of those characteristics and the supplier's shipping schedule. Frequency assigned to laboratory and layout inspection depends again on the nature of the part and its shipping schedule.

Two other factors affect the amount of inspection each part gets. If a shipment is rejected, the schedule immediately reverts to a complete check on each shipment for the particular group of characteristics or type of in-

spection involved, until released by an accepted shipment.

If a characteristic not scheduled for inspection is found defective in assembly, a special inspection is performed on the shipment involved. If rejected, the group of characteristics is placed on a frequency of one until released by an accepted shipment.

Our objective is actively to assist our suppliers in correcting products at the source rather than simply preventing the use of defective material in production. A simple report of a defect's existence to the supplier usually accomplishes little. It's here that our technical specialists play another vital role.

After copies of completed inspection reports are processed, cards representing rejection are listed by material classification. The lists serve as a register for following up and recording action and go to the specialist with the inspector's reports. The latter contacts the supplier, informs him of the rejection and the cause and determines what corrective action the supplier intends to take.

We employ two types of monthly records in our discussions with suppliers. The first, called Part Quality Record, is a detailed, chronological

report of all shipments received during the month, all inspection, and all action taken by our specialists. The second, a Supplier Quality Record, lists for each supplier all parts shipped and gives a three months' summary of his performance. Its effect is to establish a solid concept of the quality the supplier has produced over an extended period.

When a persistent defect occurs, we have a course of attacking the problem other than scrambling to salvage usable parts or switching suppliers. When a specialist contacts a supplier, he's in possession of the facts. If the defect is of unknown origin or is technically difficult to correct, he is available for consultation, working with the supplier at his plant to discuss cause and correction.

When the supplier has failed to correct or had intermittent success in controlling a troublesome characteristic, we meet with his management to examine problems involved. We may consider his equipment, inspection methods, raw material, or any other factors that bear on performance. Our experience has been that once fully apprised of the extent and seriousness of a problem, management moves swiftly to control it.

—STEPHEN J. ROGERS. *Steel*, Vol. 135, No. 10, p. 92:2.

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ASSERTIONS THAT the record-keeping requirements of the Federal Government are confusing, inconsistent, and repetitious have been solidly backed by research just completed by the National Records Management Council. The Council's study shows that over 800 separate and distinct rules apply to the records that business men must keep. The texts of these rules, covering approximately 250 subjects as diversified as anti-freeze, marihuana and oysters, fill three volumes of 300 pages each. One subject, radio, is covered by 43 different citations, all of which read about the same. A rule may be expressed in one succinct sentence (storage of nuts) or may run on for 18 pages of fine print (steam railroads).

## Checking Applicants' References—Mail vs. Phone

**EVEN IF** an extra employee has to be hired for the job, checking applicants' references by telephone is cheaper in the long run than using a reference check form, Minneapolis-Honeywell Regulator Company has concluded after a study of the hidden costs.

A written reference check, the company found, cost only 9 cents per applicant, including postage and accounting for those not returned. But only 76.6 per cent of the forms were returned, and because of the time lag applicants had to be hired on a probationary basis before the results became known. Of 1,239 new factory employees hired during the period under study, 90 were dropped by the company. Twenty-eight of these were rated as poor risks by former employers, and reference checks had not been returned for 36; only 26 had been rated fair to good on the reference forms.

In contrast, the company found it was able to get checks on 91 per cent of another group of applicants by telephone. (In other cases, former employers were outside the city.)

Just not hiring the 28 who had poor references, the company estimates, would have saved \$3,640, since the cost of putting an employee on the payroll is \$30, and training adds another \$100. In addition, there would have been reference checks on a larger percentage of the group, and more information would have been obtained on those rated fair to good. (By using telephone reference checks in cases where former employers are located in the city, and written checks where they are not, the company figures it can get reference checks of some sort on 98 per cent of all applicants.)

—*Industrial Relations News* (230 West 41 Street, New York 36 N. Y.), Vol. IV No. 8

## "... As Others Hear Them"

**DOOR-TO-DOOR SALESMEN** find it easy to check up on their manners. They try their pitch in front of a mirror at home. But until recently telephone salesmen just didn't have any means for hearing themselves as others hear them.

Thanks to modern recorders, they can now get a playback. At Trans World Airlines, for example, Lyman W. Watson, supervisor of district training, periodically records conversations between reservation agents and prospective passengers. Mr. Watson listens in and records at the same time. The girls don't know which line he is plugged into, so they are able to carry on in their natural telephone manner.

Later, the recordings are played back for the benefit of the operators. The system is a great help to the girls. Now they know what they sound like, where they can improve. In New York, where the system was first tried, it resulted in "a new alertness, a more determined effort to project to the person on the other end of the wire."

As another result of the wire recordings, TWA has developed a check list and guide that helps telephone people avoid normal pitfalls. Good telephone sales technique is harder to develop because of the impersonal situation involved, but just as important. So sales training aids are doubly important.

—*Printer's Ink* Vol. 249 No. 3



## Reporting and Call-Back Pay: A Survey of Contract Provisions

UNDER THE TERMS of most collective bargaining agreements, employees who are scheduled to work and, in the absence of prior notice, report at the usual time in the expectation of working are guaranteed some work for the day or pay in lieu of work.

A recent study by the Bureau of Labor Statistics shows that of 1,737 agreements current during 1953 or later and covering almost 6½ million workers, slightly more than 80 per cent included provisions for reporting pay. Reporting pay provisions were much more prevalent in manufacturing than in non-manufacturing industry agreements—90 per cent and 54 per cent, respectively.

Among all industries, the most common reporting guarantee was four hours (or a "half shift," "half tour," or "half day" of work or pay), occurring in about one out of every two agreements analyzed.

Four-hour guarantees were more frequent in manufacturing than in non-manufacturing agreements—61.5 per cent as against 17.9 per cent. Eight-hour or full day guarantees, on the other hand, were more prevalent in non-manufacturing.

As a general rule, employees notified in advance not to report for duty received no payment if they showed up for work and found none available. Also, the reporting guarantee was commonly not effective or was modified if the employer's failure to provide work or to furnish advance notice that work would not be available was due to causes or events beyond his control. Generally, employees refusing assignment to other work if their regular work is not available forfeit the guarantee.

To minimize unnecessary calls back to work, to compensate employees for the inconvenience of returning to their work stations without being put to work, and to encourage compliance with the requests of management, many collective bargaining agreements provide for minimum "call-back" or "emergency report" guarantees. As in the case of reporting pay allowances, employees requested to report are guaranteed a specified number of hours of work or pay in lieu of work.

In an analysis of 190 selected union agreements, covering approximately 686,000 workers in manufacturing and non-manufacturing industries, it was found that the minimum guarantee for "call-backs" occurring during off-schedule hours or on regular working days ranged from one to eight hours' work or pay. In three-fifths of the agreements, the guarantee was four hours. About one-fifth provided a minimum of two hours' pay. Guarantees exceeded four hours' work or pay in relatively few agreements.

A majority of the agreements which specified the rate of pay applicable to the call-back guarantee provided for computation at the employee's regular hourly rate.

—DENA G. WEISS and CORDY HAMMOND in *Monthly Labor Review* Vol. 77, No. 11

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MANAGEMENT is spending about \$140 million a year on newspapers, magazines, and other written material aimed mainly at employees. Since 1947, the audience has grown some 25 million to a total of 80 million.

—Steel 4/4/55

## The "Whys" and "Hows" of Clerical Work Measurement

**I**T IS UNIVERSALLY recognized that the productivity of white-collar workers has not kept pace with manufacturing productivity. Many companies, in an effort to combat this situation, are setting practical standards for clerical activity. Such programs, they have discovered, can accomplish the following results:

Substantial savings in clerical costs can be obtained. Research has demonstrated that most clerical operations are carried on at something like 50 per cent of maximum efficiency. The clerical savings obtainable by merely raising efficiency to 75 per cent can amount to one-third of present costs in the affected areas.

The most inexperienced supervisor can keep himself fully informed on his workers' performance. He can, with confidence, take action relative to output without fear of charges of discrimination or favoritism.

The reasons for existing inefficiencies can be easily discovered. Work measurement can indicate the extent of lost time, reoperation, lack of balance between operations, and improperly prepared reports.

The supervisor can become acquainted with the details of each clerical activity under his supervision. The establishment of clerical standards requires that a detailed record be made of the component parts of each activity. It is the supervisor's duty to study this information.

The supervisor is free from recur-

ring demands by higher supervision to reduce the personnel under his direction. Since he now has a means of determining work load vs. total productive hours available, he need only point to the record to justify his personnel needs.

So much for the question of "why" a clerical work measurement program. An equally important problem is *how* to go about it. Obviously, no single detailed pattern can be evolved which will serve all situations equally well. However, a typical program using time study can be divided into five steps:

1. *Acceptance.* Acceptance of a standards program by the entire organization is probably the most important requisite. After the program has been sold to all levels of management, all its complexities should be reviewed with the clerical group to be measured. It is important to stress that no one will lose employment as the result of this program and that all reductions in organization can be handled through normal turnover. The benefit to the employee, in that he will know what is expected of him and where he stands, should be stressed.

2. *Development.* The program will require the establishment of a procedures group, staffed with personnel especially trained in the work measurement techniques to be applied.

Once the staffing problem has been taken care of, the next step is to prepare task lists and determine the areas of standards coverage.

A decision should be made as to whether work simplification should precede work measurement. It would be excellent if sufficient time were available to change the methods involved, and then establish clerical standards on the revised or improved methods. However, where possible, temporary standards should be established until it is feasible to improve the methods.

After these steps have been taken, the procedures analyst goes into an organization, selects the operation, and breaks it down into its component elements. By the use of a stop-watch he records the exact time consumed by the operator in the performance of each element. He also records, for each increment of time, a performance rating, also known as a leveling factor. This leveling is done for the purpose of scaling all actual levels of performance to a normal or standards level. This repeated recording of time and efficiency ratings is continued until the analyst is satisfied that he has sufficient information to establish basic or standard time values for each element of the operation. By a process of either selection or averaging, both as to times and efficiency ratings, a normal time is established for the performance of each component part of the operation. To make allowance for fatigue, delay, and other contingencies, this normal time is then increased by 15 per cent or, in the event of exceptionally difficult operations, by as much as 35 per cent. The summation of the standard times for the various elements constitutes the clerical standard for any operation.

3. *Application.* This phase is handled chiefly by clerical departmental supervisors, who can either make the program effective or ineffective. Usually when an analyst first conducts a study of an organization, he finds that the organization is 40-60 per cent effective. The supervisor is shocked to learn that his organization is operating at this level, and it must be tactfully explained that the low percentage is in no way a reflection on his administrative abilities.

4. *Maintenance.* In order to keep a standards program effective, it is necessary that the standards be maintained. The procedures group, which designed and sold the program in the first place, is in the best position to do this. An adequate staff must be available, and included in this staff should be a statistical clerk who collects the production tallies daily and thereby obtains information on individual efficiencies and departmental utilization. These figures are submitted to the supervisor and other levels of management weekly, or on some other practicable basis. These reports comprise the working tool by which the supervisor can be guided in planning and scheduling.

5. *Auditing.* Periodic checks must be made to determine whether the conditions upon which the standards were set still exist. Any methods change which affects the standard more than 3 per cent should be accompanied by a change in the standard. Concurrent with this review, the auditor should keep management advised of changes in procedure or lack of proper controls.

—THOMAS C. PITNEY. *The Internal Auditor*, March, 1955, p. 29:9.

## **Unionization In Major Labor Markets — A Survey**

WHAT PROPORTION of workers are covered by union agreements? Among large and medium-sized firms, a Bureau of Labor Statistics report suggests, about two-thirds of workers are in firms having most of their employees covered by contracts.

The report, made during the winter of 1953-54, is based on a survey of 17 important areas and covers some 4,200 establishments with nearly 7.5 million employees.

Areas in the Northeast, Middle West, and Far West tended to show a relatively high degree of contract coverage, whereas areas in the South had a markedly smaller proportion of workers under collective bargaining agreements.

In every area the ratio of plant workers under agreements far exceeded that of office workers. Three-fourths or more of plant workers were covered in most cities; about half were under contracts in Southern cities, and two-thirds in Denver. By contrast, in only four cities were as many as a fifth of office workers covered.

The proportion of workers under agreements increased steadily with the size of the firm. Thus, in companies employing 51-100 plant workers, only 55 per cent were covered by union contracts, while in companies employing 2,501 or more, 84 per cent were covered.

The largest proportion of workers under union contracts was in the public utilities group. The ratio of coverage was also high in nearly all of the manufacturing industries. With the exception of such groups as furniture, textiles, and tobacco, 80 per cent or more of manufacturing employees were under agreements; and some manufacturing industries, such as aircraft, auto, rubber, and steel, were nearly 100 per cent organized in the areas surveyed. The tendency was for coverage of office workers to be highest in those industries with the greatest proportion of covered plant workers.

In a number of non-manufacturing industries, coverage of plant workers was found to be almost complete. Among these were communications, gas and electric utilities, local transportation, trucking, and water transportation. Coverage of 80 per cent or more existed among employees of building-material and food dealers, real estate firms, hotels, and personal-service establishments.

Coverage of office workers reached about 90 per cent in communications, 50 to 60 per cent in utilities, and about 50 per cent in local transportation.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 2/3/55

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TURNOVER FIGURES show that it costs a minimum of \$300 to hire, train, and then lose a rank-and-file clerical or factory worker, reports Industrial Psychology, Inc. This figure represents basic investment in the employee, and does not include replacement cost, unemployment compensation cost, slowdowns in production, etc. Surveys also indicate that about one out of every four workers is a marginal performer—i.e., the company is fortunate if it breaks even when the worker's productivity is balanced against his overhead.

—*Best's Insurance News*

## Company Picnics—A Survey of Current Practices

FEW EVENTS on management's employee-relations calendar involve more thought, planning, and exertion than the annual company picnic. Last spring the Associated Industries of Cleveland asked a cross-section of companies in the Cleveland area (considered generally representative of U. S. industry as a whole) for the details of the annual outings of their industrial families, and in general, what makes the company picnic tick.

July is the month and Saturday the day of the week, most frequently selected for the company picnic, AIC's survey showed. Most popular day by far for the company picnic is Saturday.

Private groves are the choice of most company picnic planners, but a surprising number hold their outings at amusement parks. Programs range from a modest number of contests for employees' children to elaborate affairs with games and contests for all, prize drawings for such items as television sets, deep-freeze cabinets, etc., and dancing to a well-known orchestra in the evening. In about half the cases employees bring their own food, but a majority of respondent companies participating in the survey furnish both soft drinks and beer.

No small matter in the planning of any company picnic is the question of cost. Here are the figures: Average cost per employee for all companies is \$2.43. Lowest average cost per employee is \$1.40 (500-999 workers). Highest average cost per employee is \$20.08 (100-499 workers). In some cases, company and union share the cost of the annual picnic.

Respondents generally agreed that the company picnic provides an excellent opportunity for management and labor to get together on a family basis. Good fellowship, morale building, better identification with the company, and better understanding, are among the major benefits which management sees in the company picnic. Equally apparent is the fact that it's something that many managements like to do for their employees, and that beneath the great informality which is the trademark of these affairs lies a sincere mutual regard.

—For the Informed Executive (Associated Industries of Cleveland) No. 135

## Ditto Memo

HERE IS an interesting "ditto memo" picked up from an executive's desk:

### MEMO TO MYSELF

Our organization probably has today:

More flexibility than we are using—fully

" talent	"	"	"	"	"
" experience	"	"	"	"	"
" people	"	"	"	"	"
" equipment	"	"	"	"	"
" loyalty	"	"	"	"	"

What can my associates and I do about this situation?

—Management Briefs (Rogers, Slade & Hill, New York) No. 66



## Ten Ways to Control Office Production

**A**LMOST ALL offices are confronted by the problem of production control in one or both of its aspects: (1) the productive effort of employees; (2) productive efficiency arising from job knowledge. The suggestions that follow deal with a single aspect of control—knowing what is being done and whether it is being done within the time limits imposed by management.

1. *Use colored tabs to differentiate work assigned within weekly periods.* A successful merchandising house, wanting some easy way to spot unfinished customers' orders, affixed a colored tab to each order, using a different colored tab for each week. This enabled the department supervisor to spot work that had been carried over into a new production period.

2. *Keep all work on the desks.* One of the greatest causes of lost papers, delayed work, and production dodges is the desk drawer. To measure work intake versus work output by observation, and also to protect unfinished work from being misplaced or buried, many companies are providing utility desks, restricting the use of desk drawers to personal items and materials used in the work.

3. *Issue weekly unfinished-production reports.* Until management realizes the importance of using some form of control, the urge to check the productive level will be absent. One firm uses a report that shows:

Work units on hand at start of week  
Work received during week units

Work units completed during week  
Work units carried over to following week

If the work units carried over to the following week cover several previous weeks, the units are "aged" by indicating the number of weeks, along with a brief explanation of the reasons for the delay.

4. *Analyze all reports and compute the man-hours required to process them.* Survey all regular and occasional reports; determine their point of origin, number of copies, distribution, retention and use; and estimate the man-hours required for their production. With these facts, control over production can be effected by scheduling the reports for completion within the framework of available man-hours.

5. *Compute a monthly production index related to man-hours.* Man-hours directly or indirectly related to a particular routine such as customer-order routine, purchase-order routine, accounting routine (vouchers or cards punched in a mechanical system) are divided into the number of units produced in the routine. The index will be expressed in man-hours per unit of production. Changes in this production index over several months of computation and comparison will indicate the necessity for further study and correction.

6. *Set up a system of priorities for certain reports.* Unless a conscious effort is made to differentiate between

statistical and control reports, both are turned loose in the office, competing with each other for their share of the man-hours, with the result that demands are compounded and pyramided. By assigning priority ratings, certain details can be delayed to a more convenient time, thereby releasing man-hours for important details.

7. *Study each routine for the fullest possible application of machine methods.* Production control is easiest when the potential productivity limit is not geared directly to manual methods. Manual methods require a direct relationship to volume, whereas machine methods produce so high a margin of productive capacity that work can be increased without burdening the personnel.

8. *Make the fullest use of simplification studies to reduce non-essential details.* One Chicago company occupying several floors in the downtown section estimated that about 25 per cent of the clerical employees' time was spent in waiting for elevators and interfloor movement. Better arrangement, use of mechanical conveyors, and better scheduling of

work materially reduced nonproductive time. Work simplification concentrates attention on factors which tend to delay and hinder work production. It is important, however, not to let surveys on the improvement of work methods get sidetracked on corollary activities.

9. *Standardize methods.* Most office work lends itself to standardization, if the difference between routine and special tasks is recognized. Repetitive segments of the job should be handled by a standard procedure which is set forth in a manual; special tasks requiring judgment and experience should be segregated and assigned to specially trained personnel.

10. *Control the flow of work.* The greatest single control over clerical man-hours consists of the flow of work to minimize fluctuations between overloads and periods of idleness. Instead of staffing the office to meet peak volume and attempting to justify the personnel by "fill-in" tasks on low-volume days, regulate the flow of work so that the overburden of one period is carried over to periods when the demands are less.

—HARRY L. WYLIE. *American Business*, January, 1953, p. 16:2.

### **How Business Rates with the "Younger Generation"**

EVIDENCE THAT American business men are neglecting the important job of explaining facts about business is abundantly clear in answers to a questionnaire submitted by the U.S. Chamber of Commerce to 1,443 high school students in 13 schools in a typical industrial county.

Organized labor was rated by 56 per cent of the students as having done most to improve living standards; business management, by 16 per cent; government, by 14 per cent; 14 per cent had no opinion.

The average score on questions about basic facts of the American

economic system was 47.1 out of a possible 100. The following examples point up some typical "blind spots":

Only 11 per cent knew that the average profit on sales was between 3 per cent and 6 per cent; most thought it was over 10 per cent. Though one-third of all corporations show no net income every year, fully 77 per cent of the students thought few companies operated at a loss. More than half felt that of each dollar divided between company and employee, the larger share went to the owners. (U. S. Department of Commerce data for manufacturing companies show divisions of profits and employees' compensation to be 14 per cent for profits, 86 per cent to employees.)

More students (49 per cent) thought a strong and able union afforded better protection for job security than the employer's ability to meet competition (31 per cent). Productivity as a factor in raising living standards was rated low by 71 per cent of the students, who answered "no" to the question: "Should the worker produce all he can?" Asked what was the "most practical way for workers to increase their living standards," 66 per cent of the respondents said, "Get more of the company's money"; only 34 per cent said, "Produce more."

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 2/26/55

### **Area Hiring—Your Best Community-Relations Tool**

IN THE FINAL ANALYSIS, the best community-relations tool is jobs. Charitable contributions, open house, mailings to local leaders, interest in community affairs—all are important. But the real payoff is the number of people in the area who make a living from your company.

While most companies follow a practice of using local labor, many managements neglect two aspects of this policy: (1) Letting the workers and community know how much of the workforce is "home-grown." (2) Making sure that one town isn't favored over another in hiring.

When you set up a new plant in a new area, chances are that you bring in a considerable number of "outsiders" to get things going. This often creates the impression in the area that you are discriminating among local residents. Such rumors don't get very far at E. I. du Pont de Nemours & Co. Du Pont makes a point of telling the employees and the community how local folk make up the bulk of the workforce. To dramatize its practice on community hiring, the company recently made a survey of all employees who were born right in the plant area. At its Seaford, Delaware, plant, for example, it was found that 75.9 per cent of the workers were born within commuting distance of the factory.

The second problem centers around local sensitivities. Every plant is surrounded by small cities and towns, and each expects your company to hire its people. If one community hasn't its share of jobs in your plant, your reputation in the area might suffer.

Daystrom Instrument Co. (Scranton, Pa.,) keeps a close count on the number of employees from each adjacent town. The record is kept on an area map maintained by the personnel department. Thus, when it appears that too many are being hired from one area, an effort is made to balance future hirings from communities not well represented.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.) 1/26/55

## Why Salesmen Prefer the Back Door

TWO OUT OF THREE salesmen feel they get orders more easily when they by-pass purchasing agents, according to the results of a twin study of sales and purchasing people presented before a recent meeting of the Sales Executives Club of New York.

The top managements of almost half of the purchasing agents queried in the survey (which was conducted by Management Development Associates, a consulting firm) permit salesmen to by-pass purchasing, and four out of five of the sales executives reported that they rarely run into serious prejudice from companies whose purchasing agents they have by-passed. The worst that can happen to a salesman who goes to the "back door," said the majority of purchasing agents, is "investigation, explanation, and warning."

Among the areas where there is room for "better understanding," according to the survey findings:

The majority of purchasing agents said less than half of the salesmen calling on them understand purchasing men's problems and those of their companies, though well over half of these same salesmen know their product thoroughly. Practically all the salesmen do make a sincere effort to be helpful instead of just trying to make a sale, purchasing men agreed. They felt their biggest problem in dealing with salesmen and their bosses is that salesmen "waste too much of our time." "They have nothing constructive to offer" and "They do not understand our problems" are the next major gripes.

Sales executives, on the other hand, say that the greatest problem in dealing with purchasing departments is their "inadequate anticipation of needs, resulting in excessive demands for 'service,' rush orders, too many small orders, no coordination in ordering similar items, etc."

A majority of the purchasing agents surveyed say they are trying to "organize current needs for orderly consideration by suppliers' salesmen," and a slightly smaller number said that they are trying to "organize information on future requirements so that these might be anticipated by suppliers' salesmen."

Are sales departments doing anything about the problems of purchasing departments? Ninety-three per cent said "yes," the greatest number reporting that they have undertaken training programs for salesmen which "emphasize the buyer's problems and points of view," and a slightly smaller number indicating "devices, techniques, and procedures specifically designed to anticipate the buyer's needs, questions, and difficulties."

—New York Sales Executive Weekly 3/29/55

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**MAIL EARLY AND OFTEN:** Companies which accumulate outgoing letters and mail them all at the end of the day should know that it may take twice as long for the letters to reach recipients as it would if they were sent out earlier. For instance, a letter mailed in Chicago before 2 p.m. will reach New York City the next day, but will take two days to get there if mailed later. The Post Office suggests at least three mailings a day for fastest delivery.

—Supervisor's Personnel Newsletter (Bureau of Business Practice, New London, Conn.) 3/14/55

## **Risk Management: The Insurance Buyer's Role**

**T**HE subject of risk management in its broadest sense is not a new one. Since the days of Adam Smith, the relationship of profit and risk has been debated in academic and governmental circles. Our system of private property has as its basis the combination of three elements: assuming risk, controlling the enterprise, and receiving profit. Indeed, there are fewer areas of greater importance to business than proper risk management.

While the insurance manager cannot, of course, be held responsible for all the risks faced in the business enterprise, he can become a risk manager in this broad sense by applying in his sphere of operations the same techniques used by top management in dealing with market and other risks.

Viewed in this light, the insurance manager's job can be broken down into the following four steps: (1) recognition of the possibility of loss from various perils; (2) estimating the frequency, or probability, of these losses; (3) estimating the possible damage which these losses could cause; (4) deciding how the risk of loss can be most economically handled—whether by transfer, elimination of the hazard, or by combination, which includes, of course, commercial insurance.

The heart of the insurance manager's task lies in the fourth function, that of deciding how the risk of loss can be most economically handled.

This function is not performed properly if the insurance manager does little else than order commercial insurance up to the limit of his budget and review the various coverages periodically to see that they are satisfactory.

Research is widely used to reduce uncertainties, and it ought to be applied in insurance more frequently. For example, a study of the firm's accounting records may enable the calculation of the probability of many losses within close limits. Such a study may indicate that self-insurance is feasible or that no special reserves are needed and that the risk can be safely assumed. This kind of research has resulted in self-insurance of risks up to a certain point and in the purchase of "stop loss" insurance—i.e., policies with very large deductibles—to take care of the catastrophic hazards.

Self-insurance should not be attempted by a firm with inadequate working capital. In general, the underwriting characteristics required by the commercial insurance company should be present in the self-insured risk. There should be a large enough number of homogenous exposure units, sufficiently diversified, to enable calculation of probable losses and the laying away of reserves to meet them. It is the task of the insurance manager to determine the degree to which these conditions exist.



The insurance manager should not overlook transfers to specialists in dealing with risks. An interesting example of this method has been the increasing use of auto lease plans. An individual firm may not have a large enough exposure in automobiles to employ self-insurance against all the risks attaching to vehicles. It has been found economical in many cases to transfer this risk to auto-leasing companies, who may have a large enough number of exposures to reduce the net cost of insurance per unit.

Suretyship is another common example of the method of transfer. Here the bonding company may assume risk of loss because a contractor fails to fulfill a contract. If the surety bond were not purchased, the risk is, in effect, assumed by the principal.

When a scientific study has been made of the financial consequences of each method of handling risk, the job of the insurance manager has only begun. His next task is to obtain this insurance at the lowest cost.

Insurance costs may be reduced by purchasing coverage over a three- or five-year term, obtaining what amounts to a quantity discount. Compliance with certain construction and operating standards will also reduce insurance premiums. The insurance manager must see that the firm is receiving proper credit for such measures.

Another important method of reducing insurance costs is in the selection of insurers. It has been recognized that low rates can result from such factors as careful underwriting stan-

dards, economical agency methods, better investment results, and efficient internal administration.

Another important method of reducing insurance costs is through a thorough knowledge of contract provisions. In this way, wastes incurred by making claims for losses not covered under the policy or purchase of overlapping coverage may be avoided. Appreciation of the finer points of coverage may enable the firm to avoid certain conditions which might result in uninsured losses. Adhering to policy requirements regarding safety precautions, filing loss claims, learning the duties to be performed in the event of loss, and notifying the insurer in the event of new construction may all result in reduced costs.

Another significant contribution of the insurance manager is to suggest (and develop, if necessary) new forms of coverage more suitable to the current-day needs of large-scale corporate enterprise. Many important developments in coverage have stemmed from this source, notable examples being comprehensive peril forms and high deductible forms.

A basic principle of insurance buying is the large loss principle. Coverage should be placed first on the perils which could cause crippling losses, and secondly on the other perils. While this seems self-evident, it is perhaps the source of the greatest waste in insurance buying. Cost of insurance is reduced by increasing the amount of coverage, as well as by reducing the premium.

—MARK R. GREENE. *The Weekly Underwriter*, March 26-April 2, 1955, p. 808:5.

## Where Savings Go—And Why

THE AMOUNT OF MONEY that people decide to put away for the future is a highly important factor in the country's economy—just as is the amount they decide to spend. The saving and investment decisions of consumers, and of business firms and government, go far to determine the level of economic activity.

A new, full-scale attempt to fill in some of the gaps in our knowledge of how much people save and what they do with their savings has just been completed by Raymond W. Goldsmith, under a grant from the Life Insurance Association of America. Going back almost six decades, Dr. Goldsmith has dredged out a wealth of data and come up with some over-all conclusions on the major trends in saving and investment:

Though the share of income that people save jumps up and down with war, inflation, depression, and other extraordinary events, over the long run the nation's saving has normally represented a fairly stable proportion of income. Ruling out the exceptional periods, in normal years personal saving constituted one-ninth to one-twelfth of disposable income. Corporate saving ran above 30 per cent of net income, and jumped even higher after World War II.

People put more of their savings now into life insurance, pension and retirement funds, and durable goods—less into corporate stocks and bonds, mortgages, and real estate. (From the standpoint of economics, purchases of consumer durable goods and of real estate are classed as savings.) There is also less thought now of individual provision for old age, and more emphasis on Social Security, pension funds, and other collective arrangements.

In the perspective of 1955 (the Goldsmith study carries only through 1949), other economists see two important reservations to Dr. Goldsmith's conclusions about the trend in total personal and corporate saving:

Personal saving, which he found at the same ratio to income after World War II as in earlier decades, jumped markedly after 1950, according to SEC and Commerce data. It hit the highest peacetime level in history, and has maintained this level for four years.

The jump in the rate of corporate savings (or retention of earnings) in the 1940's—which according to Dr. Goldsmith “may turn out to be an enduring structural change”—appears to have been substantially modified by later developments.

—*Business Week* 3/19/55

U. S. FAMILIES are now buying much larger life insurance policies than a decade ago, the Institute of Life Insurance reports. The average size of the policy bought today is about twice the size of that bought 10 years ago. At the same time, the number of policies bought is running not far from twice the total of 10 years ago, with the result that the 1954 purchases of new life insurance were three and one-half times the 1944 purchases. In 1954, the aggregate of new life insurance bought was an estimated \$47.6 billion. These purchases involved 31.7 million separate policies or certificates. Comparable figures for 1944 were \$13.5 billion and 18 million policies.

—*Insurance Advocate* 1/22/55

## How Important Are Brand Names in Purchasing?

BRAND-NAME buying does away with elaborate inspection and testing and reflects confidence in the integrity of a supplier and the performance of his products. On the other hand, it can hamstring a purchasing department by limiting it to a single source for a particular product, thus destroying the competitive element in sound procurement. To determine the extent of brand-name buying and whether or not buyers consider it important for effective purchasing, *Purchasing* magazine put a series of questions to purchasing agents all over the country. The findings:

An average of 30 per cent of all tool and supply buying is done by brand name; 31 per cent is by specification; 27 per cent by ordinary commercial designation; and 12 per cent by other forms of description.

When buying descriptions are established by brand name, the factors considered, in order of importance, are as follows: performance record in plant, purchasing department judgment of value, price, recommendations of plant personnel, and laboratory tests.

When requisitions specify a given brand, the purchasing department may buy another brand of equal quality in 92 per cent of the cases. Sixty per cent of the respondents say they try to standardize on a single brand of product for a given application; but even though a given brand is proving satisfactory, 91 per cent of the purchasing men queried periodically get samples and prices of competing brands for consideration.

Twenty-three per cent of the respondents report having experienced "strong" resistance from operating personnel when brands are changed. Seventy per cent described resistance as "slight"; the remainder had experienced none at all.

—*Purchasing* 3/55

## Rx for "That Tired Feeling"

PEOPLE WHO FEEL tired when there's no obvious reason for their fatigue have for some time been of professional interest to Dr. Walter Woodward, industrial psychiatrist with the American Cyanamid Company. He believes that the basic cause of such fatigue lies in the boredom which comes from a limited work and social life. Since energy, like a car battery, recharges itself with use, the person who makes no demands on his energy has little of it, says Dr. Woodward.

On the other hand, people who push themselves to the limit of their concentration span are also likely to be sufferers from chronic fatigue, Dr. Woodward observes. Most people can concentrate on what they are doing for only about two hours before attention begins to wander.

Dr. Woodward suggests that if concentration is limited to about 50 minutes, with a 10-minute break following, it is possible to repeat this 50-and-10 schedule four times without getting tired. This routine actually doubles the normal concentration span without imposing the penalty of great fatigue and inability to work. Moreover, it's not actually necessary to leave the workplace for that 10-minute break; a change of pace is all that's needed.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice, New London, Conn.)

## Workers into Customers: Should Selling Start at Home?

**J**OE MULDY drove a beer truck. One afternoon, after a rough day, he walked into a bar and ordered a bottle of beer. The bartender reached into the ice chest. Just as he was about to decap the bottle his customer interrupted.

"Hold it, Bub, gimme somethin' else. I'm not drinking that slop."

"You should know, Joe, you work for the place that makes it," replied the bartender looking around for audience approval of his humor.

These bits of conversation will never make Bartlett's *Quotations*, but they did lose Joe his job. It happened that his boss was seated at a nearby table. Joe was later fired for making disparaging remarks about the company's product.

This is not an isolated instance of management wrath against a worker who dares bite the hand that feeds him. Indeed, management has been going all out to spur the rank-and-filer to support the company product, not only by word-of-mouth but with cold cash—or credit.

Recently, for example, one auto manufacturer held a pep rally and exhorted the employees to buy the cars they assemble. Not long afterward a second auto maker set up an elaborate and liberal discount policy through which workers could purchase its cars at discounts up to 18 per cent.

This approach is by no means a "hard sell" pressure program. It's

good business and good employee relations. But there are exceptions.

Recently, a member of the brass of one auto firm made a survey of the company's parking lot. He stomped inside and immediately called a meeting of all supervision. He was aghast, he said, at how many foremen and other echelons of management were driving cars of another make. And he handed down an ultimatum. Anyone who wanted to keep his job would have to trade in the competitor car and purchase one made on "home grounds," as he put it. Commented one foreman after the conference: "Maybe if he took the time to find why we bought other cars, instead of blowing his top, he'd learn a lot about what's wrong with his product. Sure, I'll turn my car in because I want my job, but this is a heck of a way to run an auto company."

Management is not alone in such violations of the "free market." Workers themselves often associate loyalty with financial support of a product. At Studebaker recently, a group of employees staged a wildcat walkout on the grounds that they did not want to work with some employees who bought competitive cars. The company had no role in this at all.

Unions, too, are not averse to putting the heat on members to support company or industry products. The Hatters' Union has several union contracts which contain clauses designed to penalize workers who do not wear

hats. And a bareheaded salesman stands no chance of selling even a box of paper clips to the Hatters' Union. The same union is now organizing ca-

pires of lady members to persuade women workers in the millinery business that it's not cricket to come to work without headgear over the hairdo.

—LAWRENCE STESSIN. *Forbes*, March 1, 1955, p. 20:1.

### **Costs of Production — Here and Abroad**

MANUFACTURING COSTS of a large variety of goods in many parts of the world are definitely below those of the United States, according to a recent study of the factors affecting convertibility and foreign trade. In fact, a substantial number of products can now be manufactured in the United Kingdom and Germany at only half the cost of producing them in the United States.

These are some of the conclusions reached by the National Industrial Conference Board in the course of a study of data collected from manufacturers in this country who produce the same item both here and abroad.

The cost advantage enjoyed by foreign competitors is not universal, the Board found. In some countries, such as France, for example, available data show costs to be higher than in the United States. Latin American costs, on the other hand, are reported below ours.

Low labor costs are the most important factor in lower over-all manufacturing costs abroad, the study shows. Often they more than compensated for handicaps of higher raw materials costs and less mechanization. In some cases, the use of American tooling and production methods abroad failed to result in lower costs, because of a limited market and consequent small production volume.

The United States plays the greatest single part in world trade today. In 1953, U. S. exports came to 21 per cent of the world total, and U. S. imports were about 14 per cent of the world trade. For many countries producing primary commodities, the U. S. is a major market. Sharp fluctuations here have important repercussions upon economies abroad, as well as eventually upon U. S. exports. As a major holder of gold (nearly 65 per cent of the world's supply in 1953) we have an important stake in the efforts that have been made from time to time to raise the price of this commodity, since such a move would affect our domestic economy as well as our international accounts.

Despite the major role played by this country in world trade, the importance of our foreign trade to our total production is relatively small. U. S. current account credits (income earned from abroad as a result of commodity exports, freight charges, income from overseas investments, etc.) amounted in 1953 to only 5.8 per cent of Gross National Product—the lowest percentage for the 11 major industrialized nations covered in the study.

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### GENERAL

**YOU'RE LOSING \$86,600,000 A WEEK.** By Charles B. Seib. *Nation's Business* (U.S. Chamber Building, Washington 6, D.C.), April, 1955. 60 cents. The Federal Government is going into the red at the rate of \$86,600,000 a week; but so long as the economy continues to expand, do we need to worry too much about the government's present high spending and debt levels? In trying to answer this controversial question, the author points out that the official debt figures reflect only part of the government's actual commitments. He concludes that, if the budget is to be balanced and the national debt reduced, the government must either withdraw from or substantially reduce some of its present big spending programs.

**FALSE GODS.** By Randall W. Hoffmann. *Adult Leadership* (743 N. Wabash Avenue, Chicago 11, Ill.), April, 1955. Pointing out that the world is full of "false leaders," the author gives an entertaining account of some of the more prevalent types, and emphasizes that the true leader is the one who is dedicated to the task of bringing out the best in others. This kind of leadership, he holds, far from attempting to influence people in ways which lessen their command of their own powers and energies, leaves them more fully in rational command of themselves, their judgments, and their choices, than they were before.

**THE STRANGE STATE OF AMERICAN RESEARCH.** By Eric Hodgins. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), April, 1955. \$1.25. In this examination of the state of fundamental research in America, the author points out some implications of what he regards as the present over-emphasis on applied science at the expense of scientific thought. While discerning some hope in a growing awareness on the part of the government, industry, and the universities of the importance of basic

research in the natural sciences, he warns that the spread of the philosophy of group integration and our ever-increasing "scientific supergadetry" present serious handicaps to the creation of a climate in which the most fruitful kind of scientific speculation can flourish.

**SKILLS OF AN EFFECTIVE ADMINISTRATOR.** By Robert L. Katz. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1955. \$2.00. Starting from the premise that effective administration depends on three basic skills—technical, human, and conceptual—the author explains what these skills are and shows how their relative importance varies with the level of administrative responsibility. He then considers the implications of these variations for the selection, promotion, and training of executives, and suggests ways in which the three skills can be developed.

**THINKING AHEAD.** By Sumner H. Schlichter. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1955. \$2.00. Recent changes in economic conditions and institutions are tending to break up the old-fashioned business cycle into a number of more or less independent cycles, each with its own timing, the author believes. He gives a number of reasons to support this view and anticipates that the special circumstances which have caused the break-up will be accentuated with the passage of time.

**TOWARD TOMORROW.** By Howard G. Kurtz, Jr. *Flying* (New York, N. Y.), March, 1955. Reprints available from Mr. John Handy, Handy Associates, 270 Park Avenue, New York 17, N. Y. International air transport has found a common denominator in a mutual concern for human safety, the author points out. He asks whether this same concern might not be emulated in other vital spheres of human activity.

## INDUSTRIAL RELATIONS

**BETTER EMPLOYEE RELATIONS THROUGH AN IMPROVED COMMUNICATIONS SYSTEM.** By Richard J. Dandeneau. Bureau of Business Management, College of Commerce and Business Administration, University of Illinois (Urbana, Ill.), 1955. 25 cents. This case study shows how a manufacturing company launched and now maintains an effective program of employee communications. The training courses for supervisors on which the program was based and the various means of communication now being used are described in some detail.

**HIDDEN COSTS IN THE LABOR AGREEMENT.** By Nathan Belfer. *Current Economic Comment* (College of Commerce and Business Administration, University of Illinois, Urbana, Ill.), February, 1955. Gratis. Many sections of the labor agreement entail added costs to the company which may not be measurable and which are not always known to management, the author points out. He singles out for analysis such areas as seniority, grievance procedure, discipline and discharge, technological changes and job modifications, and hidden costs in fringe benefits. In considering ways and means of keeping these hidden costs down, he cites the management policies of General Motors and the textile industry.

**PERSONNEL PRACTICES IN SOUTHERN CHEMICAL PLANTS.** By Ellsworth Steel et al. *Southern Chemical Industry* (5009 Peachtree Road, Atlanta, Ga.), November-December, 1954. \$5.00 a year. This report on a study of the personnel practices of 18 chemical plants and 600 other plants in the south covers four major areas: employment practices, wages and salaries, communications, and employee benefit programs. The study showed that the chemical plants were, on the whole, considerably more advanced in their personnel practices than the other plants. This, the authors point out, is probably due to the fact that most of them belong to national companies and are more receptive to new techniques.

**ECONOMICS OF THE GUARANTEED WAGE.** By Seymour E. Harris. *Monthly Labor Review* (Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.), February, 1955. 55 cents. In this paper, originally presented at the last

annual meeting of the Industrial Relations Research Association, the author outlines the case for the guaranteed wage and discusses the major objections that have been raised to it on the score of costs, the weakening of the unemployment compensation program, and the contraction of employment.

**AUTOMATION.** UAW-CIO Automation Committee (8000 East Jefferson Avenue, Detroit 14, Mich.), November, 1954. 25 cents. This special report, which was prepared for the UAW-CIO Economic and Collective Bargaining Conference held in November, 1954, sets forth the union's views on automation in relation to the guaranteed annual wage, manpower displacement, job classifications, and wage structures, the duration of contracts, the shorter workweek, and political action.

**THE REVISED JURISDICTIONAL STANDARDS OF NLRB.** *Monthly Labor Review* (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.), January, 1955. 55 cents. In eight decisions, released on October 28, 1954, the NLRB presented for the first time in legal framework most of its revised jurisdictional standards. This article summarizes the revisions and explains their rationale, and also gives brief outlines of the arguments applied in each of the eight cases referred to.

**THE ENGINEER GOES INTO MANAGEMENT.** By William B. Given, Jr. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1955. \$2.00. Despite the assets inherent in their specialized training, many engineers run into trouble when they step into management jobs, the author points out. Here, he analyzes the reasons why, and offers some practical advice on how to help aspiring engineers become good executives.

**FEAR AND EXECUTIVE BEHAVIOR.** By Paul J. Brouwer. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), March, 1955. 50 cents. An explanation for the lay reader of the fears to which most "normal" people are subject in their jobs. The author describes some of the more common manifestations of fear and offers advice on what to do about them.

## OFFICE MANAGEMENT

**LABOR: WHITE-COLLAR LAG.** *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), April, 1955. \$1.25. This survey of the union situation in federal employment points up the striking disproportion in the degree of organization of various crafts. While the postal and "blue-collar" workers are highly organized, the 1,200,000 white-collar workers in the graded civil service are still barely touched by unions. Analyzing the reasons for this disproportion, the survey concludes that, if the white-collar unions are to grow, new and younger leadership will have to emerge.

**HOW TO START A SMALL TECHNICAL LIBRARY.** By Marjorie O. Baker. *Special Libraries* (31 East 10 Street, New York 3, N. Y.), March, 1955. 75 cents. For the company considering organizing its own technical library, the author offers practical guidance on such questions as where to locate it, the amount of space required, the cost of setting it up and running it, the return that can be expected on the investment involved, and its general administration.

**THREE WAYS TO AIR CONDITION OLDER OFFICE BUILDINGS.** By Bernard Eichwald. *Management Methods* (141 East 44th Street, New York 17, N. Y.), March, 1955. 50 cents. In most cases, says the author, there is one best system of air conditioning for a given location. Generally, the choice can be narrowed down

to three basic systems: the air- or water-cooled package system; the air-cooled system of window and console room units; and the central system, which usually depends upon piped water and cooling towers for condenser cooling. Here, he describes the characteristics and advantages of each.

**ELECTRONIC OPERATIONS.** By M. E. Davis. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), March, 1955. 50 cents. In this preliminary report on the Metropolitan Life Insurance Company's experience with the Univac system, which was installed in its actuarial division during the period April-July, 1954, the author describes the various units of which the system is composed and tells how it is being applied.

**THE PUNCHED CARD ANNUAL: VOLUME 3, 1954-55.** *The Punched Card* (574 Macca-bees Building, Detroit 2, Mich.). \$6.00. A comprehensive survey of machine-accounting systems and procedures and their applications to the varied needs of business and industry. Though the individual contributions are chiefly concerned with accounting, they also cover the use of punched-card systems as applied to personnel placement, personnel statistics, production and production control, sales analysis, and work scheduling. Numerous flow charts, pictures, and illustrations of cards now in use by many different types of organizations are provided.

## PRODUCTION MANAGEMENT

**WHAT TO EXPECT FROM TRAFFIC.** *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), March, 1955. 75 cents. An executive checklist of the traffic manager's functions in relation to the following departments: executive and legal, sales, purchasing, financial, and production.

**COSTS CUT, PRODUCTION CONTROLLED ON SHORT RUN, NON-REPETITIVE WORK.** By R. C. Shaw. *Plant Administration* (481 University Avenue, Toronto, Ont.), March,

1955. \$3.00 a year. A detailed account of how the application of work standards reduced costs and considerably improved deliveries in the Metal Cutting Tool and Gauge Division of John Bertram and Sons Company.

**HOW ARVIDA WORKS APPLIED PLANNED MAINTENANCE.** By H. E. Brooker. *Plant Administration* (481 University Avenue, Toronto, Ont.), March, 1955. \$3.00 a year. In this case history, the author describes how Aluminum Company of Canada obtained

effective control of its maintenance labor force through careful study and planning. The system employed, and some of the lessons learned from it, are discussed in detail.

**DON'T OVERLOOK STORAGE PLANNING WHEN YOU EXPAND OR RELOCATE.** *Industrial Development* (3009 Peachtree Road, Atlanta, Ga.), March/April, 1955. \$3.00 a year. Offers a set of basic "do's and don'ts" in handling storage problems when expansion or relocation takes place. Storage area planning, the article suggests, should be considered a major aspect of the whole business of moving, and merits top-level attention right from the start.

**LEADERSHIP FOR TOMORROW'S SAFETY.** By Donald C. Potts. *National Safety News* (425 N. Michigan Avenue, Chicago 11, Ill.), April, 1955. 75 cents. Mechanization,

electronics, and nuclear developments will change job descriptions drastically in the years to come. As a result, there will be a better educated workforce, with more leisure than ever before. Dynamic leadership is called for, the author believes, to expand the safety program and make life safer, both on and off the job.

**FIVE COMPANIES REALIZE TRAFFIC'S POTENTIAL—HERE'S HOW.** *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), March, 1955. 75 cents. A detailed analysis of the organization and functions of the traffic departments in five companies—Eastman Kodak, Lever Brothers, Campbell Soup, U. S. Rubber, and RCA—where the traffic manager has been given broad authority and status to cooperate effectively with other departments and thus enable production, sales, purchasing, and traffic to work as a team.

## MARKETING AND SALES MANAGEMENT

**"THE ONE MAN IN TWENTY."** By A. R. Hahn. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), March 15, 1955. 50 cents. Following a major management reorganization in 1952, International Cellucotton Products Co. embarked on a manpower development program for its sales staff. In this detailed report, the author gives a full account of the management philosophy behind the program, the company's marketing concept, the hiring, indoctrination, and field training of ICP salesmen, their compensation plan, the personal progress program, and the notable results that have already been achieved.

**DISTRIBUTION COST CONTROL WITH PARTICULAR REFERENCE TO SALES COMPENSATION.** By Donald A. Gaudion. *The Controller* (1 East 42 Street, New York 17, N. Y.), March, 1955. 60 cents. In considering the problem of obtaining greater volume at no increase in sales cost, the author outlines the sales compensation plan in use by his own company. He emphasizes, however, that each company must tailor its compensation plan to its own objectives, and offers some general guidance on the elements of an effective compensation program.

**DOWNTOWN RETAILERS HIT BACK AT SUB-URBAN SHOPPING TREND.** By Laurence Alexander and Dick Weiss. *Printer's Ink* (205 East 42 Street, New York 17, N. Y.), January 21, 1955. 25 cents. Various cooperative promotion programs by downtown retail groups which were featured in many leading cities in 1954, and are scheduled for a repeat performance in 1955, are described in this article. Manufacturers will do well to explore the possibilities of tying in their own advertising and promotions with the joint activities of downtown merchants, say these authors.

**DON'T DISCOUNT THE DISCOUNT HOUSE.** By Robert G. Axtell. *Challenge* (32 Broadway, New York 4, N. Y.), February, 1955. 20 cents. Undisguised discount houses and more or less concealed discount operations by regular dealers now gross an estimated fifty billion dollars a year. In face of this competition, conventional retailers are beginning to re-examine their costs on a specific dollar rather than on an over-all percentage basis, eliminate unnecessary services, and work more closely with manufacturers. These trends, says the author, are likely to bring about a general reduction in retail prices and margins and a compensating increase in volume.

**FITTING YOUR PRODUCT TO THE ATOMIC AGE.** By Annesta R. Gardner. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), January and February, 1955. 75 cents. In this two-part article, the author gives a comprehensive survey of the market for industrial products that is now offered by companies mining and refining atomic fuels, as well as by the builders and operators of nuclear reactors. Part I, "What to Sell Where," includes a list of potential buyers of atomic-age products, and practical advice on how to get into the "atom business." Part II, "Materials and Design," points up the changes in product design and the new uses of materials that are necessary to meet the special requirements of atomic piles and radiochemical processes.

**WHAT TO DO ABOUT THE DISCOUNT HOUSE.** By Ralph S. Alexander and Richard M. Hill. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1955. \$2.00. Should the manufacturer accept, fight, or compromise with the discount house? The authors carefully survey the pros and cons of these three alternatives and, without laying down any hard and fast rules, suggest that among the ways open to manufacturers of overcoming the problems that have been created by the rapid growth of discount operations are: (1) having a definite, clear, and widely communicated policy about the discount house; (2) refraining from fixing retail prices unless absolutely necessary; and (3) refraining from quota systems and other methods likely to cause dealer or distributor overstocks.

## FINANCIAL MANAGEMENT

**PENSION FUNDS: SUDDENLY HOT.** *Business Week* (330 West 42 Street, New York 36, N. Y.), April 2, 1955. 25 cents. A survey of present trends in pension fund operation, from which it appears that pension plans are shifting from the insured type to trustee-administered programs, and that in the latter there has been a further shift from fixed-interest investments, such as bonds, to the variable income of common stocks. The survey foresees that the trend toward common stock investment will continue and touches briefly on the question whether such trust funds should be subjected to government control.

**PRICING TO MAXIMIZE RETURN ON INVESTMENT.** By James H. Rushton. *The Controller* (1 East 42 Street, New York 17, N. Y.), March, 1955. 60 cents. Outlines an eight-step program of economic analysis for pricing and repricing of consumer products with the aim of maximizing long-range return on investment. Though more readily applicable to the repricing of established products, the system can be used equally well to determine the price of new ones, the author shows.

**ACCOUNTING—A TOOL FOR MANAGERS.** By Wilson T. Seney. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), March, 1955. 75 cents. In this thoughtful analysis of industrial accounting as a tool for management, the author outlines the

basic concepts on which an accounting system should be structured, the specific techniques of good cost accounting, and its economics. He also discusses some of the modifications involved in tailoring accounting systems to specific managerial requirements.

**ACCOUNTING BY MICROFILMING.** By A. V. Simpson. *Office Executive* (132 West Cheltenham Avenue, Philadelphia 44, Penna.), April, 1955. 50 cents. So much emphasis has been placed on the value of microfilming as a space-saver that its other and even more important merits tend to be overlooked, the author points out. Here, he describes a number of ways in which microfilming can be used to cut down clerical work and record-keeping generally, with special reference to its value in accounting procedures.

**PROFIT SHARING—THE WAVE OF THE FUTURE.** By Sartell Prentice, Jr. *Vital Speeches of the Day* (33 West 42 Street, New York 36, N. Y.), March 1, 1955. 30 cents. The most important results of profit sharing are not lower costs or higher profits; they are the improved morale throughout the company, the author declares. He cites a number of instances drawn from the experience of profit-sharing enterprises, and predicts that profit-sharing will ultimately come to be the rule rather than the exception in America.



**TAX-SAVING OPPORTUNITIES IN DEFERRED COMPENSATION.** By Russell S. Bock. *The Journal of Accountancy* (20th and Northampton Streets, Easton, Penna.), March, 1955. 75 cents. In this analysis of the tax-saving possibilities that have been opened up by the new Revenue Code, the author outlines the advantages accruing from five main classes of deferred compensation arrangements: (1) "Qualified" pension and profit-sharing plans; (2) non-qualified deferred-payment plans; (3) "restricted" stock options; (4) non-qualified stock options; and (5) other methods of deferring compensation.

**HOW PUBLIC ECONOMIC POLICIES AFFECT BUSINESS CAPITAL EXPENDITURES.** By Neil H. Jacoby. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), March, 1955. \$1.00. Pointing out that plant and equipment expenditures are the very core of our economic growth, the author analyzes the various factors that encourage investment in capital goods, and suggests that, to maintain it at a high level, government economic policy should be based on two broad objectives: the fostering of confidence among businessmen in our economic future, and the acceleration of technological development and industrial innovation.

## INSURANCE MANAGEMENT

**ADMINISTERING THE INSURANCE PROGRAM.** By Charles H. Thiele. *Retail Control* (100 West 31 Street, New York 1, N. Y.), March, 1955. 75 cents. Examines the responsibilities of the insurance buyer or administrator and enumerates the tools he needs in order to do a good job for his company. Basically, says the author, this job is to protect the corporation against known exposures and known liabilities. He goes on to consider specialized claims and prevention work, self-insurance, and the effective placing of risks.

**GETTING THE MOST OUT OF MARINE INSURANCE.** By Clifford L. Alderman. *The National Insurance Buyer* (Hotel Martinique, 32 Street and Broadway, New York 1, N. Y.), March, 1955. Gratis. The marine insurance broker cannot place insurance that will provide maximum protection at lowest cost unless the shipper does his part by adhering to the requirements for

**DEPRECIATION UNDER THE TAX LAW.** By Robert Eisner. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1955. \$2.00. Two new methods of charging depreciation were provided by the Internal Revenue Code of 1954. In this discussion of the effect that the application of these provisions is likely to have on corporate tax payments, the author concludes that the new methods offer management the opportunity to make considerably increased annual depreciation charges for an indefinite period and hence "very great tax savings." He further emphasizes that these savings will be permanent at least as long as the law remains in force.

**FOUR STEPS TO USEFUL FORECASTING.** By C. R. Dowd. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), March, 1955. 75 cents. Forecasting is essential in any type of business planning; but to produce realistic results it should be set up through a formalized program, the author points out. Here, he describes the four basic elements of a formalized forecasting technique: analyzing and interpreting historical fact, estimating future expectancies, comparing forecasts with actual results, and revising and refining forecasts at regular intervals.

obtaining low-cost insurance, the author emphasizes. Here, he summarizes the American Institute of Marine Underwriters' recommendations to shippers as regards packing, delay and exposure, handling and stowage, and recovery of claims.

**THE FUTURE OF MAJOR MEDICAL.** By A. M. Wilson. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), April, 1955. 50 cents. In the light of the Liberty Mutual Insurance Company's tryout of major medical insurance during the past six years, the author discusses the problems that have emerged and predicts that the future will see broad-coverage major medical at a rate necessary to support it, and financed in part out of savings resulting from the deductible being placed on the basic coverages. He foresees the end of uniform rating for all classes of people and the necessity of reserving against the more costly hazards of age.

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